

Weekly Flag Report



13/10/2008 – 19/10/2008

Highlights:

- **Huabao (336 HK, HK\$4.07, NR)** dropped 25.6% but is still trading at a sizeable premium on its industry peers, which might be justified by the company's leading market position and competitive edge (scale, client base, expertise) against other players.
- **Fuji Catering (1175 HK, HK\$3.55, BUY)** lost 34.1%. Current share price represents an undemanding 2.8x forward P/E (market consensus: 3.0x). We think its long-term outlook is intact and positive.
- **HK retailers** were suffering general retreat due to, in our view: 1) slowing local retail consumption; 2) declining tourists coming into Hong Kong, 3) reports of potential staff layoffs by key flagship companies e.g. HKJC and 4) weakening regional economic outlook.
- Sportswear sector also had pressure except **Pou Sheng (3813 HK, HK\$0.80, NR)**, which gained 9.6%, technically rebounding from oversold levels.
- **NWDS (825 HK, HK\$4.25, NR)** rose 17.7%, which we believe, is due to the company's relatively lower valuation compared to another nationwide department stores player, Parkson (3368 HK, HK\$7.99, NR).
- **China Automation (569 HK, HK\$1.06, NR)** surged 30.9% because of the company's share buyback (296k shares) and accumulation by chairman (around 400k shares).

Table 1: Valuation gap of comparables

Sub-sector	Valuation rich	Cur Yr Fwd P/E (x)	Valuation attractive	Cur Yr Fwd P/E (x)
Flavour & fragrance	Huabao (336 HK)	11.5	China F&F (297 HK)	3.9
Beverage	Tingyi (322 HK)	22.9	Uni-President (220 HK)	14.1
Sporting apparel	Lining (2331 HK)	15.7	China Dongxiang (3818 HK)	10.1
Department stores	Parkson (3368 HK)	21.1	NWDS (825 HK)	12.6

Source: Bloomberg

Table 2: Strong / Weak during the week

Company	Ticker	Price (HK\$)	Mkt. Cap (HK\$m)	1w price movement	6m price movement	Forward P/E
Agriculture						
China Green	904 HK	4.10	3,624.5	-13.9%	-55.5%	6.0
Chaoda Modern	682 HK	4.07	9,910.3	-10.0%	-55.6%	3.8
Cp Pokphand	43 HK	0.20	577.9	-2.4%	-47.4%	N.A.
Catic Shenz-H	161 HK	1.75	1,188.1	-9.8%	-68.2%	N.A.
Sinofert Holding	297 HK	2.50	17,516.5	-20.4%	-58.0%	7.0
China Bluechem-H	3983 HK	3.15	14,567.6	-12.9%	-18.6%	7.7
Huabao Internati	336 HK	4.07	12,522.4	-25.6%	-35.4%	11.5
China Flavor Fra	3318 HK	1.07	518.3	-7.8%	-62.5%	3.9
Ecogreen Fine	2341 HK	0.76	355.2	-11.6%	-72.2%	2.0
Pac Andes Intl	1174 HK	0.48	877.5	-27.3%	-63.9%	1.8
Food & Beverage						
Cafe De Coral	341 HK	12.60	6,981.6	7.0%	-16.2%	14.5
Tao Heung	573 HK	1.25	1,268.1	-18.3%	-48.1%	5.6
Fu Ji Food & Cat	1175 HK	3.55	1,921.6	-34.1%	-72.5%	3.0
Uni-President	220 HK	2.13	7,666.8	6.5%	-46.8%	14.1
Tingyi Hldg Co	322 HK	7.81	43,703.7	-5.2%	-21.7%	22.9
China Huiyuan	1886 HK	9.01	13,234.0	2.9%	70.3%	33.6
China Mengniu Da	2319 HK	8.01	12,508.8	-4.1%	-62.9%	15.5
China Yurun Food	1068 HK	9.47	14,499.2	-2.4%	-17.2%	13.0
Footwear & Apparels						
Xtep International	1368 HK	1.35	2,794.0	-28.7%	N.A.	5.2
Anta Sports Prod	2020 HK	2.93	7,295.7	-27.5%	-63.6%	8.0
Li Ning Co Ltd	2331 HK	11.98	12,462.4	-12.3%	-35.9%	15.7
Pou Sheng Intl	3813 HK	0.80	2,854.0	9.6%	N.A.	5.2
China Dongxiang	3818 HK	1.99	11,274.9	-2.5%	-39.3%	10.1
Ports Design Ltd	589 HK	11.32	6,349.8	-7.4%	-51.4%	12.1
Giordano Intl	709 HK	1.38	2,058.5	-27.0%	-58.9%	5.4
I.T Ltd	999 HK	0.56	646.8	-22.2%	-74.9%	3.1
Texwinca Hldg	321 HK	3.91	5,229.4	-22.0%	-28.2%	5.0
Bosideng Intl	3998 HK	0.94	7,352.8	-3.1%	-37.2%	5.5
Daphne Internati	210 HK	1.61	2,571.5	-28.0%	-65.3%	5.0
Stella Internati	1836 HK	7.10	5,745.7	-6.6%	-43.2%	5.6
Belle Internatio	1880 HK	3.64	30,953.6	-21.9%	-54.1%	12.1
Others Consumer Stock						
Xinyu Hengdeli	3389 HK	1.52	3,776.4	-7.3%	-60.7%	6.4
Sa Sa Intl Hldgs	178 HK	1.40	1,906.1	4.5%	-54.8%	6.3
Bonjour Hldgs Lt	653 HK	2.20	505.4	-9.5%	-24.7%	N.A.
Natural Beauty	157 HK	1.43	2,860.9	2.1%	-22.3%	11.0
Modern Beauty	919 HK	1.15	832.0	-8.0%	-58.6%	3.0
Channels						
New World Dept C	825 HK	4.25	7,166.1	17.7%	-47.5%	12.6
Maoye Intl Hldgs	848 HK	0.52	2,621.3	-22.7%	N.A.	3.8
Intime Departmen	1833 HK	3.23	5,814.0	7.0%	-42.2%	10.5
Golden Eagle Ret	3308 HK	5.26	9,562.3	-12.3%	-32.6%	15.5
Parkson Retail	3368 HK	7.99	22,274.2	-14.5%	-39.6%	21.1
Beijing Jingkelo	814 HK	2.63	1,084.1	9.1%	-42.1%	6.1
Lianhua Superm-H	980 HK	9.48	5,896.6	-5.2%	-11.1%	14.7
Times Ltd	1832 HK	2.64	2,307.3	1.5%	-9.0%	13.3
Wumart Stores	8277 HK	6.60	8,054.3	5.1%	6.5%	18.0
Gome Electrical	493 HK	1.31	16,714.0	-12.7%	-71.3%	6.4
Pharmaceuticals / Healthcare						
United Laborator	3933 HK	2.28	2,736.0	-5.8%	-29.6%	4.0
Sino Biopharm	1177 HK	0.82	1,856.5	-2.4%	-45.3%	6.3
China Renji Med	648 HK	0.03	313.1	-18.2%	-69.0%	4.5
Shandong Weig-H	8199 HK	10.10	10,055.2	9.9%	-3.4%	19.8
Guangzhou Phar-H	874 HK	2.41	4,457.5	-8.4%	-63.7%	5.6
China Shineway	2877 HK	4.98	4,118.5	0.8%	-2.4%	7.6
Wuyi Internation	1889 HK	0.74	1,265.2	-1.3%	-38.3%	3.9
Mingyuan Medica	233 HK	0.62	1,816.2	-16.2%	-45.6%	10.2
China Pharmaceut	1093 HK	1.90	2,922.4	-1.0%	-23.4%	4.6
Telecom						
China Telecom-H	728 HK	2.75	222,564.0	-11.3%	-45.4%	8.6
China Unicom Hon	762 HK	9.91	236,247.4	-10.7%	-39.3%	13.3
China Mobile	941 HK	69.30	1,393,564.0	-7.1%	-47.1%	10.5
Telecom Equipment						
Comba Telecom Sy	2342 HK	0.88	761.3	-1.1%	-52.2%	3.5
Centron Telecom	1155 HK	0.56	392.0	-22.2%	-67.3%	2.1
Delta Networks I	722 HK	1.34	1,585.3	-14.1%	-40.7%	N.A.
China Comm Ser-H	552 HK	3.90	22,740.4	-3.9%	-28.0%	13.8
Banks						
Bank Of China-H	3988 HK	2.45	827,375.5	-14.0%	-33.3%	7.3
Bank Of Commun-H	3328 HK	5.28	273,357.3	-13.7%	-47.1%	7.7
China Const Ba-H	939 HK	3.55	837,931.6	-15.7%	-42.5%	6.8
China Merch Bk-H	3968 HK	14.00	229,326.6	-13.5%	-50.2%	7.5
Ind & Comm Bk -H	1398 HK	3.73	1,439,331.0	-11.9%	-35.8%	9.0
Boc Hong Kong Ho	2388 HK	11.06	117,780.8	-9.4%	-42.9%	8.1
Ind & Comm Bank	349 HK	10.14	12,877.8	-5.4%	-48.7%	6.7
Construction						
China Com Cons-H	1800 HK	5.88	87,171.0	-0.3%	-65.7%	11.5
China Railway-H	390 HK	5.21	130,549.3	-2.2%	-29.2%	23.3
China Railway-H	1186 HK	10.24	133,799.6	1.6%	-10.5%	25.9
Zhuzhou Csr	3898 HK	5.13	5,562.2	2.6%	-23.9%	12.4
Technology & Media						
Tencent Holdings	700 HK	52.80	95,322.9	3.6%	6.9%	34.1
Alibaba.Com Ltd	1688 HK	4.84	24,453.4	-6.6%	-62.1%	16.5
Kingdee Intl Sft	268 HK	1.14	2,193.2	-9.5%	-38.1%	11.0
Netdragon Webs	777 HK	3.09	1,640.4	-1.3%	-68.2%	6.5
China Automation	569 HK	1.06	966.7	30.9%	-56.6%	4.8

Source: Bloomberg

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