

Weekly Flag Report



20/10/2008 – 26/10/2008

Highlights:

- **China Green (904 HK, HK\$4.52, BUY)** gained 6.6% last week as investors are turning to agriculture sector after the Chinese government released plans to accelerate rural development in the near future. **Sinofert (297 HK, HK\$2.92, NR)**, the major fertilizer distributor in China, also rose 15.9%. Meanwhile share price of **Chaoda Agriculture (682 HK, HK\$4.00, NR)**, another domestic farming company, dropped 9.5%. Investors' concern might come from two sides: 1) relatively tight cash chain in the coming two years due to repayment of convertible bonds and senior notes; 2) dividend cut despite strong FY06/08A results.
- **Ports (589 HK, HK\$7.85, NR)** retreat substantially by 31.0%, which, in our view, was due to the potential contraction in high-end consumption during a economy downturn and the company's relatively rich valuation. The counter is still trading at a premium P/E (1-yr forward: 8.5x) on industry average (1-yr forward: 4.2x).
- **Shandong Weigao (8199 HK, HK\$6.80, NR)** lost 32.7%. As the company's business remains intact, a likely reason is that some institutional investors disposed of its shares under redemption pressure.
- Railway related plays succumbed by massive selling pressure last week after announcements of impending losses relating to forex and structured finance products. **China Railway Group (390 HK HK\$3.78, NR)** and **China Railway Construction (1186 HK, HK\$8.25, NR)** dropped 25.9% and 17.8% respectively. We prefer CRC as we think they are more financially prudent (most of the forex losses are incurred over normal course of business operations) and less exposure to China property sector.
- **China Automation (569 HK, HK\$1.06, NR)** rose 12.4% in the second consecutive week.

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)	9.6	China F&F (3318 HK)	3.3
Beverage	Tingyi (322 HK)	22.4	Uni-President (220 HK)	13.5
HK retailer	Sa Sa (178 HK)	6.1	I.T. (999 HK)	2.6
Telecom	China Unicom (762 HK)	13.0	China Telecom (728 HK)	7.3

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	4.52	3,995.8	6.6%	-57.4%	6.7
Chaoda Modern	682 HK	4.00	9,739.9	-9.5%	-61.5%	3.2
CP Pokphand	43 HK	0.17	485.5	-11.6%	-52.7%	n.a.
Catic Shenz-H	161 HK	1.75	1,188.1	0.0%	-69.8%	n.a.
Sinofert Holding	297 HK	2.92	20,459.3	15.9%	-52.9%	8.4
China Bluechem-H	3983 HK	2.95	13,599.5	-13.7%	-34.9%	7.3
Huabao International	336 HK	3.40	10,461.0	-15.0%	-50.4%	9.6
China Flavor Fragrance	3318 HK	0.90	436.0	-20.4%	-67.9%	3.3
Ecogreen	2341 HK	0.75	350.5	-1.3%	-71.8%	2.0
Pac Andes Intl	1174 HK	0.47	850.1	-7.0%	-66.3%	1.7
Food & Beverage						
Cafe De Coral	341 HK	12.40	6,870.8	-0.8%	-21.0%	14.5
Tao Heung	573 HK	1.20	1,217.4	-18.9%	-50.0%	5.3
Fu Ji Food & Cat	1175 HK	3.87	2,094.8	1.8%	-68.8%	3.3
Uni-President	220 HK	2.04	7,342.9	-3.8%	-51.5%	13.5
Tingyi Hldg Co	322 HK	7.63	42,641.8	-2.2%	-25.8%	22.4
China Huiyuan	1886 HK	8.71	12,793.4	-2.1%	46.1%	32.6
China Mengniu Dairy	2319 HK	6.90	10,775.3	-13.8%	-70.9%	15.8
China Yurun Food	1068 HK	7.30	11,176.8	-21.2%	-36.3%	9.9
Footwear & Apparels						
Xtep International	1368 HK	1.07	2,354.0	-22.5%	n.a.!	4.4
Anta	2020 HK	2.75	6,847.5	-12.1%	-67.5%	7.5
Li Ning Co Ltd	2331 HK	10.20	10,610.7	-11.0%	-53.2%	13.4
Pou Sheng Intl	3813 HK	0.80	2,854.0	-2.4%	n.a.	5.7
China Dongxiang	3818 HK	1.87	10,595.1	-4.1%	-44.7%	9.5
Ports Design Ltd	589 HK	7.85	4,403.3	-31.0%	-68.2%	8.5
Giordano Intl	709 HK	1.13	1,685.6	-22.1%	-67.7%	4.5
I.T Ltd	999 HK	0.47	542.9	-13.0%	-79.3%	2.6
Texwinca Hldg	321 HK	3.72	4,937.4	-8.6%	-37.2%	4.8
Bosideng Intl	3998 HK	0.86	6,799.4	-9.5%	-42.3%	5.1
Daphne International	210 HK	1.56	2,555.1	-8.8%	-66.1%	5.0
Stella International	1836 HK	6.00	4,855.5	-14.8%	-51.6%	4.7
Belle International	1880 HK	2.95	24,881.0	-21.3%	-64.5%	9.7
Others Consumer Stock						
Xinyu Hengdeli	3389 HK	1.29	3,205.0	-13.4%	-63.4%	5.4
Sa Sa Intl Hldgs	178 HK	1.32	1,823.3	-5.7%	-58.0%	6.1
Bonjour Hldgs	653 HK	2.15	493.9	-12.2%	-25.3%	n.a.
Natural Beauty	157 HK	1.13	2,260.7	-23.1%	-38.6%	8.7
Modern Beauty	919 HK	1.06	766.9	-10.9%	-60.0%	2.8
Channels						
New World Dept	825 HK	3.65	6,154.4	-15.1%	-55.8%	10.8
Maoye Intl Hldgs	848 HK	0.37	1,901.7	-23.7%	n.a.	2.8
Intime Department	1833 HK	2.65	4,770.0	-18.0%	-52.7%	8.6
Golden Eagle Retail	3308 HK	4.35	7,908.0	-18.5%	-43.3%	12.7
Parkson Retail	3368 HK	5.96	16,615.1	-22.8%	-59.1%	15.8
Beijing Jingkelong	814 HK	2.10	865.7	-16.7%	-55.5%	4.9
Lianhua -H	980 HK	9.40	5,846.8	-1.1%	-10.8%	14.6
Times Ltd	1832 HK	2.58	2,254.9	-2.3%	-14.3%	13.0
Wumart Stores	8277 HK	6.45	7,871.2	-6.5%	-0.2%	17.3
Gome Electrical	493 HK	1.39	17,734.7	10.3%	-69.4%	6.9
Pharmaceuticals / Healthcare						
United Laboratories	3933 HK	2.11	2,532.0	-8.7%	-50.9%	3.7
Sino Biopharma	1177 HK	0.78	1,765.9	-4.9%	-48.7%	6.0
China Renji Medical	648 HK	0.03	313.1	-10.0%	-70.0%	4.5
Shandong Weigao-H	8199 HK	6.80	6,769.8	-32.7%	-43.0%	13.2
Guangzhou Pharm-H	874 HK	2.25	4,413.5	-5.5%	-65.9%	5.2
China Shineway	2877 HK	3.86	3,192.2	-22.5%	-25.8%	5.9
Wuyi International	1889 HK	0.63	1,077.2	-13.7%	-47.5%	3.4
Mingyuan Medical	233 HK	0.54	1,581.9	-12.9%	-53.4%	8.9
China Pharmaceutical	1093 HK	1.48	2,276.4	-22.1%	-44.6%	3.9
Telecom						
China Telecom-H	728 HK	2.33	188,572.4	-10.7%	-55.6%	7.3
China Unicom H	762 HK	9.70	230,543.2	-1.0%	-40.9%	13.0
China Mobile	941 HK	57.50	1,152,949.0	-13.0%	-57.4%	8.8
Telecom Equipment						
Comba Telecom Systems	2342 HK	0.68	581.6	-26.9%	-63.8%	2.7
Centron Telecom	1155 HK	0.47	329.0	-14.5%	-74.6%	1.8
Delta Networks I	722 HK	1.30	1,538.0	-3.0%	-41.2%	n.a.
China Comm Ser-H	552 HK	3.76	21,701.5	1.1%	-37.9%	13.2
Banks						
Bank Of China-H	3988 HK	2.01	783,648.8	-15.5%	-48.1%	6.0
Bank Of Commn-H	3328 HK	4.02	228,207.4	-24.4%	-63.9%	5.9
China Const Bank-H	939 HK	2.91	693,526.8	-16.9%	-57.0%	5.6
China Merch Bank-H	3968 HK	11.34	195,929.7	-21.9%	-64.3%	6.1
Ind & Comm Bank -H	1398 HK	3.15	1,314,153.0	-12.7%	-48.8%	7.6
Boc Hong Kong	2388 HK	9.43	99,701.3	-14.3%	-51.9%	7.0
Ind & Comm Bank	349 HK	9.12	11,582.4	-9.2%	-55.7%	6.1
Construction						
China Com Cons-H	1800 HK	4.90	72,642.5	-13.9%	-73.6%	9.7
China Railway Group-H	390 HK	3.78	110,059.2	-25.9%	-50.7%	16.8
China Railway Construction-H	1186 HK	8.25	115,063.0	-17.8%	-29.4%	21.0
Zhuzhou CSR	3898 HK	3.52	3,816.6	-28.0%	-54.3%	8.6
Technology & Media						
Tencent Holdings	700 HK	43.95	79,046.0	-11.7%	-19.4%	28.1
Alibaba.Com Ltd	1688 HK	4.39	22,179.8	-6.8%	-67.5%	15.0
Kingdee Intl Software	268 HK	1.15	2,212.5	4.5%	-40.2%	11.2
Netdragon Websoft	777 HK	2.89	1,534.2	-4.0%	-68.6%	6.1
China Automation	569 HK	1.00	912.0	12.4%	-58.7%	4.5

Source: Bloomberg

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