

## Monthly Report

### Macro economy:

Since late January, the HK\$ has stabilized against the US\$ at around HK\$7.79 to US\$1.00 after a period of depreciation which started in November 2010. This suggests that the fund flow out of Hong Kong has actually slowed. A great earnings season may very likely cause fund to flow back into Hong Kong again.

The HSCEI index is now priced at 10.6x forward earnings, approximately 10% above the 2008 financial crisis level. During the worst days of the 2008 financial crisis, between September 2008 and March 2009, the HSCEI traded at an average of around 9.2x forward earnings. Compared to other major markets around the globe, the HSCEI is trading at a much more attractive level. HSCEI at 10.6 times forward earnings on China's 2011 estimated nominal GDP growth of 14% is more attractive than the U.S. market, which is trading at 14 times forward earnings and 5.10% nominal GDP. and other developed economies. The HSCEI is also more attractive than most emerging markets such as Singapore and South Korea which are trading at 14 times and 10 times forward earnings and 8.35% and 7.85% nominal GDP respectively. Russia and India are arguably the only two major markets that are as attractive as the Hong Kong market.

### Investment themes from the 12th 5-Year Plan

Construction of Energy Bases in Shanxi, Ordos Basin, Eastern Inner Mongolia, Xinan and Xinjiang. These five bases will generate 80% of the country's energy supply by 2015.

Completion of the high speed rail network, urban rail transit systems, highways and deep water ports.

Urbanization

Regional economies

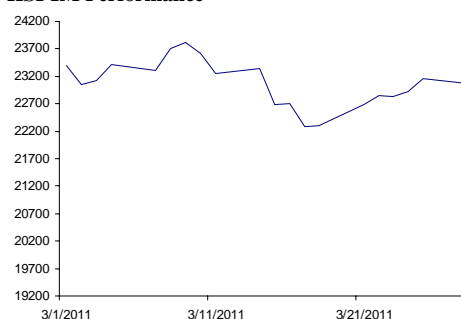
By 2020, reduce carbon dioxide emissions by 40% through energy saving and new energy initiatives. Energy saving includes transforming and upgrading traditional industries. New

Hang Seng Index			
Index (%)	5 Days	1 Mth	YTD
HSI	4.69	3.17	4.84
HSCEI	5.37	5.73	7.05
Red Chip	5.93	7.00	5.34
Shanghai A	(0.35)	0.85	5.68
Shenzhen A	(3.21)	(1.56)	(1.91)

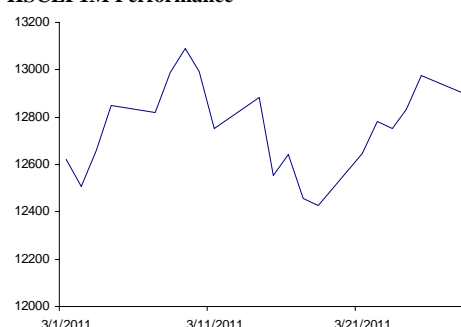
Source: bloomberg

Ended at 4/4/2011

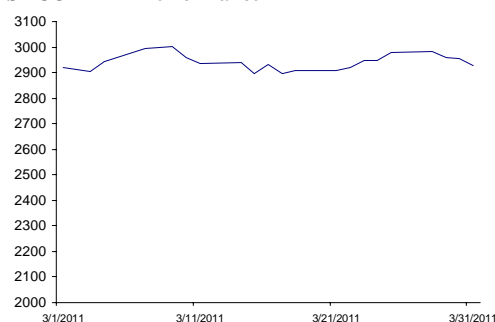
#### HSI 1M Performance



#### HSCEI 1M Performance



#### SHCOMP 1M Performance



energy generation includes utilizing hydro electricity, nuclear, wind and solar power and biomass.

Expansion of domestic consumption will be achieved through urbanization, raising of minimum wages, improvement of public services and improvement of consumer environment (logistics).

Development of manufacturing service sectors including finance, insurance, business services, information technology, research and development, logistics, marketing and supply chains.

We've separated the Hong Kong market sectors into 3 categories:

**Expensive:** Sectors trading at around 1 standard deviations above historical average multiple.

**Reasonable:** Sectors trading around the historical average multiple.

**Inexpensive:** Sectors trading at around 1 standard deviations below historical average multiple.

#### Recommended Stocks

	Current Price	2011 estimated P/E	2011 estimated dividend yield
Xingda Int'l (01899.HK)	\$7.57	9.089X	2.405%
Anhui Conch (00914.HK)	\$47.20	14.632X	1.258%

**Stock picks:**
**Xingda International (01899 HK)**

*Investment Rating & Valuation:* We revise our EPS forecasts for 2011/12 to RMB0.72 and RMB0.91 respectively. According to our sum-of-the-parts valuation, we revise our TP from HK\$9.95 to HK\$10.61. Our TP represents over 40% upside potential from the current trading price.

*Key Assumptions:* We believe that the product of radial tire cord was benefited from the strong growth in tire replacement demand, and China's radialization rate will maintain the increased trend.

*How we differ from consensus:* 1) We believe that Xingda will become the leader in China's radial tire cord market. 2) We believe that Xingda's sawing wire business will be another growth driver. 3) The stock is currently trading at a relatively cheap valuation.

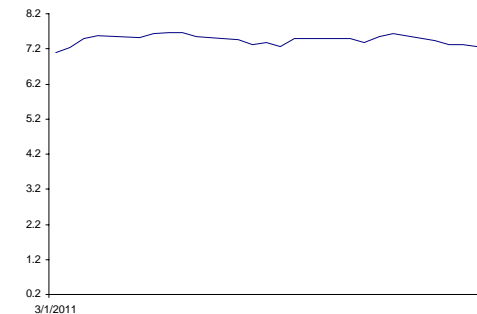
*Catalysts for share price performance:* 1) Capacity expansion of sawing wire; 2) Over-expected orders from the product of radial tire cord.

*Risks:* 1) Slower-than-expected capacity expansion of sawing wire; 2) The slowdown of demand of radial tire cord.

Xingda Int'l (01899.HK)	
2011 estimated P/E	9.089X
2011 estimated P/B	1.515X
2011 estimated dividend yield	2.405 %

Source: Bloomberg

Xingda Int'l stock price performance



## Anhui Conch (00914.HK)

**Investment Rating & Valuation:** We call long on Conch with TP of HK\$48.6, because the company's key markets see continuous improvement of supply-demand dynamics. As the market leader, Conch's pricing power is increasing significantly. Even 1Q is normally a trough season, with more cooperation among large players, we expect the price correction could not be as much as expected.

**Key Assumptions:** Volume will be 170M tonnes and 200 M tonnes in 2011 and 2012, which can be secured by new lines in the pipeline; ASP will improve to RMB/tonne 265/270 in 2011 and 2012.

**How we differ from consensus:** Price correction in 1Q11 and further tightening policy are major concern of the market. With low inventory level and improving cooperation among big players, we believe the price correction would not be as much as expected. Further, lower-than-expected concern over inflation could also ease the concern over further tightening policy.

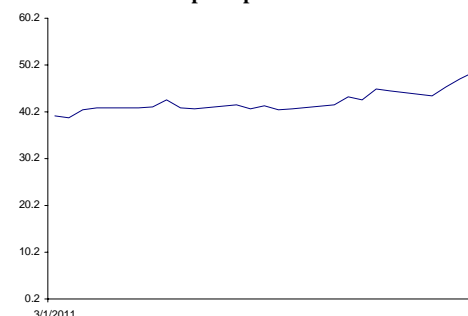
**Catalysts for share price performance:** 1) Stronger-than-expected cement price recovery; 2) Release of 2010 financial results.

**Risks:** Policy execution over capacity curbing.

Anhui Conch (00914.HK)	
2011 estimated P/E	14.632X
2011 estimated P/B	3.319X
2011 estimated dividend yield	1.258%

Source: Bloomberg

Anhui Conch stock price performance



**Disclosure of Interests:**

Ms. Ellie Chan, Mr. Jeffrey Mok, the Analysts, and their associates do not have any financial interests in the listed corporation(s) mentioned in this report.

**Disclaimer**

For private perusal only. This communication (including any information attached) is issued by Shenyin Wanguo Research (H. K.) Ltd., a member of the Shenyin Wanguo Group of companies, to individual addressees whether they are professional and institutional clients or otherwise, in good faith from sources believed to be reliable but no representation or warranty expressed or implied is made as to their accuracy, correctness and/or completeness. Some parts of the communication may have been originally published in Chinese, within the People's Republic of China, by Shanghai Shenyin Wanguo Research and Consulting Co., Ltd. That material has been reviewed, translated and, where applicable, adapted by Shenyin Wanguo Research (H. K.) Ltd. Where any part of the information, opinions or estimates contained herein reflects the personal views and opinions of the sender, such views and opinions may not correspond to the published view of the Shenyin Wanguo Research Group. This communication shall not be construed as an offer, invitation or solicitation to buy or sell any securities of the company or companies referred to. All opinions and estimates reflect the judgement of the sender on the date of this communication and are subject to change without notice. Member companies of the Shenyin Wanguo Group (including but not limited to Shenyin Wanguo Research (H. K.) Ltd. and Shenyin Wanguo Securities (H. K.) Ltd.) and/or their directors, officers, agents and employees may have an interest in securities of the company or companies referred to in this communication and will disclaim any liabilities arising from the inaccuracy, incorrectness and incompleteness of this communication and its attachment/s and/or any action or omission made in reliance thereof. Accordingly, this communication must be read in conjunction with this disclaimer.

**Copyright reserved**

Address: Shenyin Wanguo Research (H. K.) Ltd., 28/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong

In association with: Shanghai Shenyin Wanguo Research and Consulting Co., Ltd., 99 Nanjing Road East, Shanghai 200002, People's Republic of China