

# Morning Buzz

Singapore  
18 July 2006

## Today's Top Ideas

- Hengxin Technology – Laying the foundations for growth; Buy

## News Headlines

- MediaRing seeks PacNet board seats
- Auston summoned to court on SFA charges
- Wheelock eyes nearby sites after clinching Habitat One
- UOL's offer for Hotel Negara fair: ING Bank
- World Cup boosts SIA's traffic
- AEM H1 equipment sales boosted by US, Europe orders
- Qian Hu Q2 net profit up 23.8% to S\$594,000
- Noble Group ends stake talks with Fortescue
- TT International secures US\$40m facility
- CH Offshore to sell vessel for US\$30.7m
- KepLand ups stake in Equity Plaza owner
- Total Access to sell TB6b of bonds

### Top Actives

By Volume	Price (\$)	Change (\$)	Change (%)	Vol ('000)
THBEV	0.27	-0.015	-5.26	43,267
China Sun	0.75	-0.04	-5.06	26,437
UTAC	0.665	-0.035	-5.00	24,961
MDR	0.05	-0.005	-9.09	21,481
ChinaMilk	0.845	-0.055	-6.11	21,135
By Value				
DBS	16.90	-0.40	-2.31	3,573
Capitaland	4.10	-0.18	-4.20	12,827
UOB	14.90	-0.30	-1.97	3,531
KepCorp	14.60	-	-	2,780
SingTel	2.42	-0.04	-1.62	15,924

### Kim Eng Research Team

#### US Indices (Previous Session)

Dow	10,747.36	+8.01
Nasdaq	2,037.72	+0.37

#### Futures/Regional Indices

S&P		-1.7
Nasdaq		+0.37
Light Crude	75.25	-0.05
Nikkei	14551.18	-293.38
KOSPI	1237.42	-17.71
All-Ords	4933.30	+1.10

#### ADRs

Chartered	1.28
STATS ChipPAC	0.93
Creative	8.66

#### STI Chart



### Top Actives (<USD250mil Mkt Cap)

Stock	Price (\$)	%Chg
MDR	0.05	-9.1
Luzhou	0.65	-10.3
FHTK	0.005	-
ArianeCorp	0.10	-4.8
GlobalTest	0.235	-6.0

### Broker's Calls

Stock	Rating	Target	By
SinoEnviro	Buy	\$1.11	DBS
LMA	Buy	\$0.91	CIMB

# Hengxin Technology

Singapore  
Manufacturing  
18 July 2006

## Laying Foundations for Growth

### ◆ Plant visit update

Having visited Hengxin's production facilities in Yixing, we are convinced that the company's growth prospects are here to stay. Despite a 32% increase in production capacity and the seasonal effect of the spring festival holidays, utilization rates for 1Q06 were at a healthy 80.1%. On the back of strong order book build up, management intends upgrade existing factory lines to increase production capacity by another 3,000km by 4Q06, bringing the total annual RF cable output to 36,000km.

### ◆ Undisputed market dominance

Currently, Hengxin's manufacturing and product capabilities surpass those of its domestic peers. We expect the company to retain its technological advantage as the use of in-house R&D solutions and collaboration with Western factory machinery providers ensure this business model is not easily replicated. Within the PRC, Hengxin edges out foreign competitors such as Andrew Corp (Andrew) by leveraging on its strong local sales and distribution channels which are difficult for non-Chinese firms to establish. This has allowed Hengxin to gain market share while Andrew is losing sales.

### ◆ Sustainable gross margins

By revising its ASP according to copper price levels, Hengxin is able to pass on costs to customers thereby enjoying stable gross margins of 22% despite the run up in copper prices. Unlike Andrew which adopts a rigid price structure as it procures its yearly copper requirements in advance, Hengxin purchases forward copper contracts for delivery only upon receipt of an order thereby locking in costs. Thus the company is able to avoid implementing measures which are unpopular with customers such as Andrew's copper surcharge in a bid to reduce margin pressures.

### ◆ Fundamentals right on target

Stock price has fallen 12.4% to Scts 46 since our last update, reflecting a generally depressed market sentiment. We are optimistic given Hengxin's capabilities, it is on track to meet our forecasts for FY06. The drop in price is temporal and is likely to pickup in tandem with a market recovery. Currently trades at an attractive valuation of 10.3x FY06E and we reiterate a BUY on the market leaders with target price of S\$0.71/share.

Year End Dec 31	2003	2004	2005	2006E	2007E
Sales (Rmb m)	114.73	380.81	468.04	690.46	1,035.69
Pre-tax (Rmb m)	9.06	45.31	56.36	75.31	118.07
Net profit (Rmb m)	4.20	27.34	56.36	75.31	98.58
EPS (cts)	0.33	2.17	3.35	4.48	5.87
EPS growth (%)	-	551.19	54.63	33.62	30.90
PER (x)	-	21.20	13.71	10.26	7.84
EV/EBITDA (x)	-	13.47	10.64	8.45	5.79
Yield (%)	-	-	9.24%	4.87%	2.55%

## BUY

### Company Visit

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Price	\$0.460
Target	\$0.710
STI Index	

### Historical Chart

Performance	1m	3m	6m
Absolute (%)		nm	nm
Relative (%)		nm	nm

### Stock Information

Ticker code	HTRS.SI HENG SP
Market Cap (\$)	154.56m
52-week high (\$)	0.625
52-week low (\$)	0.32
Shares issued (m)	336
6mth avg. daily vol	-
Free float (%)	59.41
Major Shareholders (%)	
	Cui Genxiang (26.9%)
	Siskin Investments Ltd (20.5%)

Key Indicators	2006
ROE (%)	23.72%
Net gearing (%)	Cash
NTA (RMB)	0.95
Interest cover (x)	11.04

### Chart Picks

#### Straits Times Index technical note

The index has fallen nearly 120pts during the past week. It is currently near a temporary support level at 2300~2310. The Sesdaq Index has also retreated close to a temporary support level at 93. The fall in the broad market during the past few days has pulled the short-term market breadth McClellan Oscillator out of overbought territory, towards oversold.

Thus, we would not rule out a technical rebound developing in the next 1-2 days. 2 potential rebound levels are at 2333 and 2366. Short-term traders could scope for technical bounces. Trading positions should be protected by stops.



## Market / Corporate News

**MediaRing** - Spent US\$27.3m to up its stake in Pacific Internet (PacNet) from 4.8% to 26.1% by purchasing an additional 2.88m shares—just a week after a failed takeover that cost US\$2-2.5m. Vantage Corporation remains PacNet's single-largest shareholder with 29%, with MediaRing being second. MediaRing paid US\$8.6m for 912,299 shares or about 6.7% of PacNet from 12-14 July, which works out to an average of US\$9.43/share. It also paid US\$18.7m for about 1.97m shares (14.5%) or US\$9.50/share, off market. MediaRing is seeking two board memberships on PacNet for executive director Koh Boon Hwee and chief executive Khaw Kheng Joo.

**Auston International Group** – The education services provider has been summoned to appear in court next week to answer to two charges under the Securities and Futures Act (SFA). The charges concerned matters relating to the financial statements for the financial periods ended 31 July 2000 to 2002. Auston reported an overstatement of net profit amounting to about S\$2m, dating back to the FY ended 31 July 2002. Deloitte & Touche said in February 2005 that it had identified a similar profit overstatement of S\$2.3m, and noted that a further S\$1m may still need to be examined.

**Wheelock Properties (Singapore)** – Eyeing adjoining properties for a bigger project, after securing the Habitat One site along Ardmore Park. Market watchers observe these would include Heritage Apartments, developed by the Fu family of listed Hotel Properties Ltd (HPL), and The Vantage. Wheelock, which is a substantial shareholder of HPL, will roll out its 118-unit Ardmore II condo next door in October on the amalgamated Ardmore View and Habitat II site.

**UOL Group** - ING Bank says UOL's cash offer for Hotel Negara at S\$6.45/share 'is fair from a financial point of view'. ING is the independent financial adviser to the independent directors of Hotel Negara. ING recommends shareholders to accept UOL Group's offer unless they can obtain a price higher. Hotel Negara's independent directors said they agree with ING's recommendation. ING noted that the offer price 'represents a significant premium of 132.9% over the latest unaudited net tangible asset of S\$2.77/share for Hotel Negara, as at 30 June 2006'.

**Singapore Airlines (SIA)** – Filled more seats and cargo space for the tenth consecutive month in June, as economic growth and the World Cup in Germany boosted travel demand. SIA filled an average 68.9% of its combined passenger and cargo capacity in June, up from 66.6% Y/Y. It carried 7.5% more passengers and 4.1% more cargo Y/Y.

**AEM-Evertch Holdings** - Sales orders for its core equipment division rose sharply in H106, boosted by orders from the US and Europe. AEM, which supplies equipment, chemicals, parts and services for the semiconductor industry, said its equipment division had secured more than S\$65m worth of sales orders in H1—more than its total equipment sales of S\$58.7m for FY05. Despite a 34.9% fall in equipment sales last year, equipment manufacturing remained the largest contributor to the group's revenue in 2005, accounting for 33.7% of the S\$174.2m in total revenue. AEM expects 2006 to be a very positive year.

**Qian Hu Corp** – The fish breeder reported a 23.8% jump in Q2 net profit to S\$594,000 as Q2 sales grew 16.9% to S\$18.3m for the three months ended June 30, 2006, helped by a 25.1% Y/Y growth in its ornamental fish segment to S\$9.8m and a 36.1% growth in its plastics segment to S\$2.4m. H106 EPS was S\$0.0087, up from S\$0.0074 last year. The turnover for accessories was marginally up at S\$6.12m. Higher ornamental fish sales and higher margins from its star product, the dragon fish boosted turnover. H106 net profit rose 17.4% to S\$1.12m as sales hit S\$36.43m, 13.9% higher Y/Y. Yesterday's results saw Qian Hu post its fourth profitable quarter since it reported net losses for H105.

**NOBLE Group Ltd** - The raw materials supplier halted talks to buy a 10% stake in Fortescue Metals Group Ltd, which is seeking partners for a US\$1.9b iron ore project, after an agreement with respect to certain elements of various contracts could not be reached. They were negotiating to pay US\$270-300m for the shares in Fortescue, pending an agreement on a marketing venture to sell iron ore to China. Noble said the two companies may restart marketing talks in the future.

**TT International** - Secured a US\$40 million syndicated loan facility arranged by BNP Paribas, Rabobank International, DBS Bank, KBC Bank NV and OCBC Bank. The electronics exporter said the proceeds will be used for refinancing existing loans of US\$23m and for general working capital.

**CH Offshore** - The local shipbuilder has entered into an agreement to sell one of its vessels to Mexican logistics and transportation company Grupo TMM for US\$30.7m. The company said it expects to realise a gain of about US\$11.44m from the sale, which will be used for future expansion and working capital. The disposal is subject to the approval of the company's shareholders and delivery is expected in September.

**Keppel Land** - Raising its stake in joint venture DL Properties (DLP), which owns the 28-storey Equity Plaza office building in Raffles Place, from 35.37% to 64.63%. In a further move to unlock its commercial portfolio value, the property developer said it had exercised its pre-emptive right to buy Sumitomo Corp's 29.26% interest in DLP, based on their 1992 joint-venture agreement. The S\$17.9m cash consideration will be funded by internal resources.

**Total Access Communications** - The mainboard-listed Thai mobile phone operator will sell up to TB6b (S\$252m) of unsecured bonds. Sold over the next three months, these will refinance some of the firm's debt and expand its business, and will be available to both institutional and retail investors. Siam Commercial Bank and Kasikornbank are the underwriters for the issue. The bond issue is part of its previously announced plan to sell up to TB12b of bonds with tenures of up to 10 years.

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(Sources: Company, SGX, Business Times, Dow Jones)

## Significant Insiders Purchase and Sales

Date of Effective Change	Stock Name	Buyer / Seller Name	Type *	S/W *	Bought / (Sold) ('000)	Price(\$)	After Trade	
							No. of Shares ('000)**	% Held **
11/07/06	China Petro	Chan Shut Li Willaim	DIR	S	(22,731)	-	105,830	43.28
11/07/06	EuYanSang	Aberdeen Asset Managers Ltd	SSH	S	(18,714)	-	NA	NA
11/07/06	EuYanSang	Aberdeen International Management Ireland Ltd	SSH	S	(18,714)	-	NA	NA
22/06/06	Sapphire	Nippon Paint Co Ltd	SSH	S	(18,120)	-	688,446	17.94
13/07/06	Ezyhealth	Sin Keng Choo	SSH	S	(16,600)	-	21,962	8.27
11/07/06	China Petro	Zhou Hong	DIR	S	(9,043)	-	NA	NA
13/07/06	ASTI	Au Sai Chuen	DIR	S	(1,900)	0.251	9,214	1.60
11/07/06	EuYanSang	Aberdeen Asset Management Asia Ltd	SSH	S	(738)	-	24,702	6.86
12/07/06	OrientCent	United Overseas Bank Limited	SSH	S	(300)	-	26,542	15.97
12/07/06	OrientCent	UOB Venture (Shenzhen) Limited	SSH	S	(300)	-	18,570	11.17
12/07/06	OrientCent	UOB Capital Investments Pte Ltd	SSH	S	(300)	-	25,788	15.51
13/07/06	Ascott	Goh Hup Jin	DIR	S	(60)	1.030	2,403	0.15
14/07/06	Wilmar	Martua Sitorus	SSH	S	21,500,000	-	21,500,000	98.80
14/07/06	Wilmar	Kuok Khoon Hong	SSH	S	21,500,000	-	21,500,000	98.80
14/07/06	Wilmar	Wilmar holdings Pte Ltd	SSH	S	21,500,000	-	21,500,000	98.80
14/07/06	THBEV	Charoen Sirivadhanabhakdi	SSH	S	733,335	-	12,156,050	48.41
14/07/06	THBEV	Khunying Wanna Sirivadhanabhakdi	SSH	S	733,335	-	12,156,050	48.41
11/07/06	China Petro	Zhao Ying	DIR	S	97,275	-	105,830	43.28
11/07/06	China Petro	Guidance Ltd	SSH	S	28,841	-	105,830	43.28
11/07/06	EuYanSang	Aberdeen International Fund Managers Ltd	SSH	S	19,905	-	19,905	5.53
14/07/06	ASTI	ASTI	COY	S	3,350	0.245-0.260	NA	NA
13/07/06	FrasersCT	Stichting Pensioenfonds voor de Gezondheid	SSH	U	2,154	-	37,154	6.04
12/07/06	OUE	Ananda Krishnan Tatparanandam	SSH	S	1,858	-	168,507	95.57
12/07/06	OUE	Kin Chan	SSH	S	1,858	-	168,657	95.65
12/07/06	OUE	V-Nee Yeh	SSH	S	1,858	-	168,657	95.65
14/07/06	APB	Fraser and Neave, Limited	SSH	S	631	-	180,203	70.13
11/07/06	MetroHldg	Please see remarks	SSH	S	350	-	37,661	5.97
04/04/06	Sim Lian	Lim Kim Hong	SSH	S	70	0.375	12,955	5.00
13/07/06	Eastern	Stephen Tay Thian Boon	DIR	S	27	0.175-0.180	63,486	63.49
13/07/06	Eastern	Janet Lim	SSH	S	27	0.175-0.180	63,486	63.49

\*DIR - Director (include Directors of related companies)  
 SSH - Substantial Shareholder  
 COY - Company Share Buyback

\*\* Direct & Deemed Interests  
 S - Shares  
 W - Warrants

## Ex-Dates

Date	Company	Type	Remarks
18 Jul 2006	IntRoller	Ex-Entitlement	ENTITLEMENT : STOCK SPLIT OFFER OF 2 FOR 1 Record Date: 20 Jul 2006
19 Jul 2006	JTCn4.875%090128 10k	Ex-Interest	INTEREST : 280106-270706 4.875% Record Date: 21 Jul 2006 Payable Date: 28 Jul 2006
20 Jul 2006	Aspial	Ex-Bonus	BONUS : OFFER OF 1 FOR 10 Record Date: 24 Jul 2006
20 Jul 2006	Courts Sp	Ex-Dividend	DIVIDEND : SGD 0.0132 FINAL LESS 20% TAX Record Date: 24 Jul 2006 Payable Date: 08 Aug 2006
24 Jul 2006	SMRT	Ex-Dividend	DIVIDEND : SGD 0.055 FINAL LESS 20% TAX Record Date: 26 Jul 2006 Payable Date: 08 Aug 2006
25 Jul 2006	Cortina	Ex-Dividend	DIVIDEND : SGD 0.01 FINAL NET OF 20% TAX Record Date: 27 Jul 2006 Payable Date: 11 Aug 2006
25 Jul 2006	ISDN	Ex-Dividend	DIVIDEND : SGD 0.0182967 FINAL ONE-TIER TAX Record Date: 27 Jul 2006 Payable Date: 08 Aug 2006
25 Jul 2006	SIA Engg	Ex-Dividend	DIVIDEND : SGD 0.06 FINAL ONE-TIER TAX Record Date: 27 Jul 2006 Payable Date: 08 Aug 2006
25 Jul 2006	SIA Engg	Ex-Dividend	DIVIDEND : SGD 0.2 SPECIAL ONE-TIER TAX Record Date: 27 Jul 2006 Payable Date: 08 Aug 2006
25 Jul 2006	SpWindsor	Ex-Dividend	DIVIDEND : HKD 0.08 1ST & FINAL ONE-TIER TAX Record Date: 27 Jul 2006 Payable Date: 11 Aug 2006
25 Jul 2006	Surface MT	Ex-Dividend	DIVIDEND : HKD 0.12 FINAL Record Date: 27 Jul 2006 Payable Date: 14 Aug 2006
25 Jul 2006	AdvSys	Ex-Rights	RIGHTS : OFFER OF 5 FOR 2 @ \$0.01 Record Date: 27 Jul 2006
26 Jul 2006	Delong	Ex-Dividend	DIVIDEND : SGD 0.0015 1ST & FINAL ONE-TIER TAX Record Date: 28 Jul 2006 Payable Date: 15 Aug 2006
26 Jul 2006	TT Int	Ex-Dividend	DIVIDEND : SGD 0.009 1ST & FINAL LESS 20% TAX Record Date: 28 Jul 2006 Payable Date: 18 Aug 2006
27 Jul 2006	ChemInd	Ex-Dividend	DIVIDEND : SGD 0.01 1ST & FINAL LESS 20% TAX Record Date: 31 Jul 2006 Payable Date: 14 Aug 2006
27 Jul 2006	SATSvcS	Ex-Dividend	DIVIDEND : SGD 0.06 FINAL LESS 20% TAX Record Date: 31 Jul 2006 Payable Date: 10 Aug 2006
27 Jul 2006	Wheelock	Ex-Dividend	DIVIDEND : SGD 0.015 FINAL LESS 20% TAX Record Date: 31 Jul 2006 Payable Date: 11 Aug 2006
28 Jul 2006	Avaplas	Ex-Dividend	DIVIDEND : SGD 0.002 1ST & FINAL ONE-TIER TAX Record Date: 01 Aug 2006 Payable Date: 15 Aug 2006
28 Jul 2006	Man Wah	Ex-Dividend	DIVIDEND : HKD 0.0313 FINAL Record Date: 01 Aug 2006 Payable Date: 16 Aug 2006
28 Jul 2006	MetroHldg	Ex-Dividend	DIVIDEND : SGD 0.03 SPECIAL LESS 20% TAX Record Date: 01 Aug 2006 Payable Date: 15 Aug 2006
28 Jul 2006	MetroHldg	Ex-Dividend	DIVIDEND : SGD 0.02 1ST & FINAL LESS 20% TAX Record Date: 01 Aug 2006 Payable Date: 15 Aug 2006
31 Jul 2006	MTQ Corp	Ex-Dividend	DIVIDEND : SGD 0.015 FINAL LESS 20% TAX Record Date: 02 Aug 2006 Payable Date: 15 Aug 2006

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