CIMB Trader^{AM}

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What's Relevant

Corporate News

- **Ho Bee Investments** - **Weak sales starting to show**. While 3Q is consistent with our expectation (below consensus), weak development sales have become more apparent. Earnings this quarter were propped up by divestment gains. Valuations are undemanding but its exposure to high-end residential remains an overhang. We refine FY12 numbers but maintain **Underperform, TP S$1.16**.
- **Noble Group** - **Loss shocker.** Whatever we feared could go wrong did go wrong. Noble shocked the Street with its first-ever quarterly loss in over a decade. Macroeconomic turbulence brewed a perfect storm of gyrating commodity prices, counter-party defaults and margin erosion. 3Q11 losses contradicted Street and our profit expectations, with 9M11 forming only 38% of our below-consensus FY11. **Maintain Underperform, TP S$ 0.99**.
- **SingTel - 2QFY12 results** flattish qoq and yoy and 11% and 10% below CIMB and street estimates on disappointing results from Bharti, higher-than-expected effective tax and stronger S$. Optus is also showing strains from stiff competition. **Outperform, TP S$3.34**.
- **Starhub** - **Not as starry**. 9M11 numbers are in line but 3Q profit was slowed by higher tax and depreciation qoq. The quarter was marked by strong postpaid revenue and firm margins which offset a weaker prepaid business and fixed network services. **Maintain Outperform, TP S$3.11** on a stable dividend outlook and less competition from NGNBN in the residential segment.
- **Tat Hong** - **Up from down under**. Results were very good. Tat Hong delivered solid numbers with all round improvement. Growth momentum picked up with South East Asia, while ramp up in Australia powered ahead. Importantly, performance in FY12 will be significantly stronger than previously. 2Q12 EPS beat our equal to consensus forecast, with 1H12 forming 59%, due to strong revenue. Factoring that, forecasts revised up by 1-27%. **Target price lifted to S$0.77 (10x CY12 P/E). Upgrade to Outperform (previous Underperform)** on sustained growth momentum.
- **Venture Corp** - **Business is slow**. We expect earnings to remain subdued in the next few quarters on the back of a slowdown in capex spending amid economic uncertainties in the US and Europe. We believe this will continue to act as a de-rating catalyst. 9M11 net profit is below expectation at 65% and 71% of our FY11 forecast and consensus respectively, with key variances being lower-than-expected sales and margins. We cut our FY11-13 numbers. Our target price remains set at 0.7x P/BV. **Maintain Underperform, TP S$4.90**.
- **Wilmar International - Export tax benefits in 4Q**. Following its results briefing, we believe better 4Q refining margins could be offset by a cautious outlook for crushing margins. Nevertheless, we remain positive on its earnings prospects as expansion plans are expected to bear fruits in the coming year. **Maintain Outperform, TP S$5.60**.

Markets

- **US** stock indexes dropped sharply Wednesday on concerns over Italy.
- **Asian** markets were mixed yesterday reacting to news from the Eurozone once again.
- **Singapore's** STI ended lower yesterday. The market is likely to open in favour of sellers.

Selected Statistics

Indices	Level	% chg	Ytd % chg
Straits Times Index	2,858.66	-0.3%	-10%
FSTC ST China Index	232.57	-1.7%	-29%
Dow Jones	11,780.94	-3.2%	+2%
S&P 500 Index	1,229.10	-3.7%	-2%
CSI 300 Index	2,751.65	+0.9%	-12%
Hang Seng Index	20,014.43	+1.7%	-13%
Crude Oil (US$/barrel)	95.69	-0.1%	+5%
Gold Spot (US$/oz)	1,772.20	-1.0%	+25%
Baltic Dry Index	1,802.00	+2.4%	+2%
CPO (US$/MT)	940.00	-9.2%	-27%
Top volume	**Last price**	**% chg**	**Vol (m)**
Golden Agri-Resources Ltd	SGD 0.670	+0.8%	88.1
Genting Singapore Plc	SGD 1.705	-2.6%	94.4
S I2I Ltd	SGD 0.059	+1.7%	44.1
Cnmc Goldmine Holdings Ltd	SGD 0.545	-2.7%	26.3
Singapore Telecom Ltd	SGD 3.160	+0.6%	32.0
Mewah International Inc	SGD 0.530	+0.0%	17.0
Top gainers	**Last price**	**% chg**	**Vol (m)**
Luxking Group Holdings Ltd	SGD 0.015	+0.0%	0.05
Asian Micro Holdings Ltd	SGD 0.012	+0.0%	1.00
Infinio Group Ltd	SGD 0.005	+0.0%	2.40
China Dairy Group Ltd	SGD 0.200	-2.4%	1.51
Mirach Energy Ltd	SGD 0.114	+0.0%	0.33
Tung Lok Restaurants 2000	SGD 0.200	+0.0%	0.02
Top losers	**Last price**	**% chg**	**Vol (m)**
Aussino Group Ltd	SGD 0.040	+21.2%	0.01
Jel Corporation Holdings Ltd	SGD 0.008	+0.0%	0.01
Nico Steel Holdings Ltd	SGD 0.095	+0.0%	0.01
Ultro Technologies Ltd	SGD 0.022	+29.4%	0.53
Top Global Ltd	SGD 0.007	+0.0%	1.21
Annica Holdings Ltd	SGD 0.015	+0.0%	0.14

Trades for the Day

Fundamentally:

- **Thakral Corp (THK SP; S$0.028 - BUY)** - 3Q11 results were better as the Company focused on higher margin products. **Maintain BUY, TP S$0.032**.
- **Valuetronics Holdings (VALU SP; S$0.22 - BUY)** - 2QFy12 results within expectations. **Maintain BUY, TP cut to S$0.34.**

STI Chart & Summary

The STI stayed marginally above its uptrend channel support (at 2,855) yesterday, which gives the bulls a slight upper hand. As long as the uptrend channel support, which rises to 2,870 today, then the index could still move up to retest the 2,910-2,920 resistance again. Closing below the support would shift the odds towards more weakness in the days ahead and a possible fall towards the 2,840 and 2,781 support levels. The 30-day SMA is also a very important support.

Analyse This…

CIMB Research Pte Ltd - +(65) 6225-1228

Thakral Corporation

Margins Continue to Soar.

THK SP
BUY; TP S$0.032

Price @18/08/11: S$0.028
52-week range (SGD): 0.023-0.035
Market cap: S$73.15m

Key Highlights

- **Valuation.** Taking higher gross margins, into consideration but also factoring in the slowdown in the Chinese and global economy, we reduce our target price to S$0.032 from S$0.05 but maintain our buy call based on 0.63x CY12 P/BV.
- **Better than expected earnings.** Revenue reported for 3Q11 came in within our expectations with revenue for the fist nine months of FY11 forming 69% of our projected revenue for the year. However, due to the much higher margins for the 3Q11, TCL's net income surged and beat our expectations. Accordingly; we raised our earnings projection for FY11 by 20-30%.
- **Higher margins expected to persist into 4Q11.** The higher margins in 3Q11 can be attributed to TCL's strategic move into distributing higher margin products for their consumer electronics distribution business and also from the better contributions from the property business segment. The management expects such margins to persist for 4Q11.

Results Summary

FYE Dec	2009	2010	2011F	2012F	2013F
Revenue (S$ m)	438.8	409.3	410.6	459.8	514.9
EBITDA (S$ m)	4.3	34.9	13.7	13.9	15.6
EBITDA margins (%)	1.0	8.5	3.3	3.0	3.0
Pretax profit (S$ m)	10.7	39.2	13.1	13.0	14.1
Net profit ($ m)	11.5	37.5	10.1	10.0	10.8
EPS (S cts)	0.4	1.4	0.4	0.4	0.4
EPS growth (%)	+156%	+226%	-73%	-1%	+9%
P/E (x)	6.3	1.9	7.3	7.3	6.8
Gross DPS (S cts)	0.0	0.0	0.1	0.1	0.1
Dividend yield (%)	0.0	0.0	3.6	3.6	3.6
P/NTA (x)	0.3	0.7	0.6	0.6	0.5
ROE (%)	5.3	22.9	9.1	7.9	7.9
Net cash per share (S$)	4.5	0.4	1.6	1.8	2.0
P/CF (x)	6.8	1.9	6.9	7.0	6.4

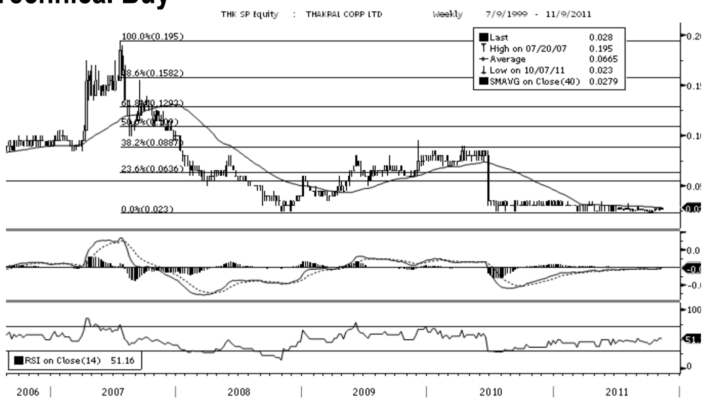
Source: Company, CIMB Research

Financial Highlights

FYE Dec (S$ m)	3Q11	3Q10	yoy % chg	2Q11	qoq % chg	9M11	9M10	yoy %
Revenue	91.9	101.2	-9.2	82.7	11.1	283.0	327.8	-13.6
Operating costs	-7.9	-5.0	58.1	-5.9	32.6	-18.9	-14.9	27.0
EBITDA	5.0	1.8	181.5	2.1	137.2	10.0	5.0	99.3
EBITDA margin (%)	5.5	1.8	210.0	2.6		3.5	1.5	130.8
Depn & amort.	-0.1	-0.1	-0.9	-0.1	11.5	-0.3	-0.4	-10.4
EBIT	4.9	1.7	194.4	2.0	143.7	9.7	4.7	107.8
Interest expense	-0.3	0.0	2180.0	-0.3	-0.3	-0.9	0.0	5147.1
Interest & invt inc	0.2	0.1	90.8	0.2	7.8	0.4	0.8	-46.6
Associates' contrib	0.0	0.0		0.0		0.0	0.0	
Exceptionals	0.0	0.0		0.0		0.0	30.2	-100.0
Pretax profit	3.3	3.0	10.0	2.1	52.1	8.7	35.4	-75.4
Tax	0.0	-0.5	-91.0	-0.4	-87.9	-1.2	-1.0	18.9
Tax rate (%)	1.4	17.7		18.2		13.8	2.9	
Non-ctrling interests	0.3	0.0	1181.5	0.2	40.1	1.1	0.2	520.7
Net profit	2.9	2.4	18.8	1.5	90.3	6.4	34.3	-81.3
Core net profit	4.3	1.2	265.2	1.2	265.2	6.9	2.8	151.7
EPS (cts)	0.11	0.09	18.81	0.06	90.35	0.24	1.31	-81.34

Source: Company, CIMB Research

Technical Buy



- Based on its longer term charts, we see a completed 5-wave downtrend. It is possible to count it over, which means that there is going to be a corrective move upwards in the coming months.
- Indicators are still rising, suggesting that the bulls are ready to move prices upward. However, the lack of trading volume is a negative. Without volume, prices could just trade sideways for a long while.
- Nevertheless, we are positive on the stock for the longer term. A push past the S$0.035 levels on strong volume would signal that prices are likely to head upward towards S$0.07-0.08 in the medium to long term. There is also a minor resistance at S$0.05-0.055. A fall below the recent low of S$0.023 would delay the rebound for a couple of months.

About Thakral

Listed on the SGX Mainboard since December 1995 with its Distribution business headquartered in Shanghai, China, Thakral Corporation Ltd is in the consumer electronics distribution business as well as strategic property and equity investments.

Presently, China (including Hong Kong) and India are the Group's key markets for its products. Under its extensive consumer brand portfolio are global names such as Apple, Canon, Casio, Fuji, Hewlett-Packard, Kodak, Lenovo, Nikon, Nokia, Orion, Panasonic, Samsung and Sony. The Group has also taken up new brands such as Altec Lansing, Built, Cygnett, Empire, Logic3, Moshi Moshi, Parrot, Scott, Skullcandy and SwitchEasy.

Major products distributed under these key brands include digital cameras, data projectors, iPhones, iPads, mobile phones, plasma and LED TVs, digital photo frames, portable DVD players, iPod accessories, MP3/MP4/MP5 players, desktop and notebook computers, memory cards, personal digital assistants (PDAs), games/media players, printers, electronic accessories and consumables.

The Group also markets and distributes trendy consumer electronics products under its own proprietary brand "YES". These products include audio players and accessories, portable media players, portable DVD players, LCD/Plasma/LED-backlit LCD TVs, digital photo frames, LED flashlights, battery chargers and memory cards.

The Group is now also progressively implementing its plan to grow its investments in real estate projects in Australia.