

BUY S\$0.62 STI : 3,550.34

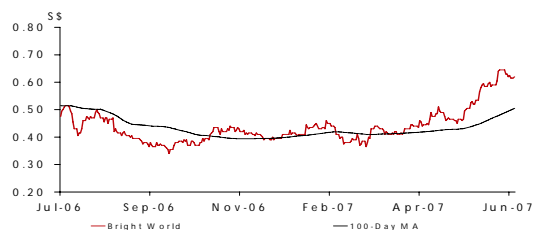
Price Target : 12-Month S\$ 0.82 (Prev S\$ 0.62)

Reason for Report : Plant visit

Potential Catalyst: Earnings execution

ANALYSTPei Hwa Ho +65 6398 7968
peihwa@dbsvickers.comAi Teng Tan +65 6398 7967
aiteng@dbsvickers.com**FORECASTS AND VALUATION**

FY Dec (RMB m)	2005A	2006A	2007F	2008F
Turnover	321.4	449.3	579.0	745.3
EBITDA	106.6	146.6	177.2	235.0
Pre-tax Profit	96.3	131.9	156.9	195.0
Net Profit	96.3	115.8	137.8	171.2
Net Pft (Pre Ex.)	96.3	115.8	137.8	171.2
EPS (\$ cts)	6.4	5.8	6.9	8.6
EPS Gth (%)	29	(10)	19	24
Diluted EPS (\$ cts)	6.4	5.8	6.9	8.6
Net DPS (\$ cts)	1.9	1.7	2.1	2.6
BVPer Share (\$ cts)	14.8	23.2	28.4	34.9
PE (X)	9.6	10.7	9.0	7.2
P/Cash Flow (X)	8.8	9.5	7.8	5.9
EV/EBITDA (X)	8.6	7.9	6.5	4.8
Net Div Yield (%)	3.1	2.8	3.3	4.1
P/Book Value (X)	4.2	2.7	2.2	1.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	72.6	33.7	26.7	27.1

SHARE PRICE CHART**AT A GLANCE**

Issued Capital (m shrs)	400
Mkt. Cap (\$m/US\$m)	248 / 163
Major Shareholders	
Kim Pan Ltd (%)	76.0
Prudential Asset Management (S) Ltd (%)	4.7
Free Float (%)	19.3
Avg. Daily Vol. ('000)	1,347

Earnings Rev (%):	2007: -	2008: -
Consensus EPS (\$)	2007: 7.1	2008: 8.5
Variance vs Cons	2007: (2.4)	2008: 1.3

Sector : Technology

Bloomberg/Reuters Code: BWPM SP EQUITY/BWRL.SI

Principal Business: The group is a manufacturer of stamping machines and its related components.

"A director of DBSVR and the CEO of DBSVS is an independent director of the Bright World."

www.dbsvickers.com

Bright World

Getting brighter than ever

➤ **Story:** We returned from BWPM's manufacturing plant in Danyang city, Jiangsu province, with increased conviction about the company's growth prospect and strategy to position itself as the leading metal forming machinery supplier in China.

➤ **Point:** We are pleased to learn that BWPM has rolled out its new range of cutting and bending machines earlier than expected. Management has also painted a bullish outlook with a five-year roadmap to achieve sales target of 30% CAGR for the next few years. Interestingly, BWPM is expanding overseas with exports to Brazil and East European countries such as Turkey.

➤ **Relevance:** In view of the positive outlook and strong management focus, we are raising our TP to S\$0.82 as we roll over valuation peg to 11x FY07 / FY08 earnings. Our TP translates to an undemanding 0.5x PEG. Reiterate Buy.

Growth momentum still intact in 2Q. Our operational update with management suggests continued strong order flow from customers in 2Q. We expect BWPM to record another promising quarter, registering 25% - 30% y-o-y growth in both sales and net profit to approximately RMB150m and RMB30m respectively.

New plant to commence operations by 4Q07. The first phase of construction of the new plant (20,000 sq m out of a total of 60,000 sq m land area) is well on track. The new facility will be equipped with much higher lifting capability of up to 160 tonnes vs current 32 tonnes. This enables the group to produce higher tonnage machinery of up to 5000 tonnes vs current 1000 tonnes. This would then allow BWPM to provide a wider range of machines to the automobile industry, one of the fastest growing industries in China (>20% y-o-y growth).

Clear five-year road map boosted our confidence in BWPM. Aiming to be among the best players in China's metal-forming space, BWPM has mapped out a series of growth initiatives for the next five years: (I) Moving upmarket to produce higher performance and tonnage stamping machines which churn better margins; (II) Expanding product range to include complementary machinery such as cutting and bending machines to grow sales further beyond 2008; (III) Channeling resources to the development of CNC machinery in anticipation of a growing demand trend from 2009 onwards. We like BWPM's strategy of placing strong emphasis on R&D capability to develop at least 10 new models a year to keep BWPM ahead of peers. Besides, plans to expand its presence both locally and globally for its own "World" brand stamping machinery could give a boost to sales growth too.

Maintain Buy with a raised TP of S\$0.82. The sound strategy has raised our confidence level on BWPM. We have rolled over our valuation to 11x FY07 / FY08 earnings and raise our TP to S\$0.82. We see strong earnings execution to be the near term catalyst.

Growth strategies

BWPM has mapped out a series of growth initiatives and is heading towards its target to grow at 30% sales CAGR in the next five years while achieving high margins relative to peers.

Moving upmarket to produce higher performance and tonnage stamping machines that command higher ASP. On average, the ASP of a high performance machines is 10x of convention machines! (RMB17,000: RMB170,000). The demand will be fuelled by rising replacement trend towards high performance machines to improve production efficiency for the bigger manufacturing plant in China.

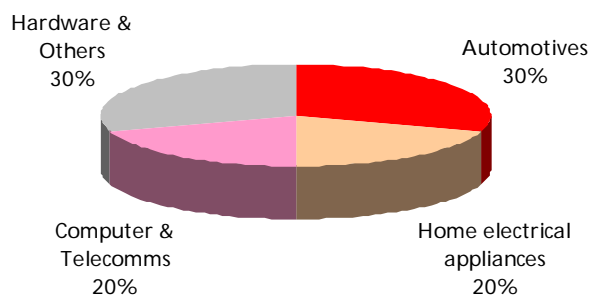
Expanding the product range cutting and bending machines. BWPM has kicked start the production of the cutting and bending machines and begun to market it to some customers. We see this as a new growth driver from FY08 onwards. BWPM could leverage on its technical expertise and existing customer base for these new products, which are the complementary machinery to their stamping machines.

Continue to strengthen R&D capability. Strong R&D capability is the key determinant that keeps BWPM ahead of peers. It currently has product development team consists of 10 engineers that develops at least 10 new models of stamping machines a year. Separately, it has setup an R&D team of 10 engineers, specializes in developing cutting and bending machinery, which is led by a highly respectful professorial senior engineer, Mr Tang Zhihao. Mr Tang was the Vice Director of the Technical Committee of China Metalforming Machinery Association and was the head of R&D team in Shanghai Punching & Shearing Machine Works (“SPS”), which supplies cutting and bending machines to giants, like Cosco. Within a year, the team has developed 38 models of cutting and bending machines, of which, 11 are CNC machines.

Climbing up the ladder to international platform. Apart from deepening its foothold in China, BWPM is moving to the global stage. Its exports sales have tripled from RMB5m in 2005 to RMB15m (3.5% of revenue) in 2006 mainly to countries in Eastern Europe, such as Turkey, and Brazil. The Group is exploring more business opportunities regionally, to ride on the rising outsourcing trend in the region.

Net Margin can sustain at above 20%. Although depreciation expenses is expected to rise from RMB14m in 2005 to RMB20m and >RMB40m in 2007 and 2008 respectively with the completion of new plant, we however believe net margin is sustainable above 20%. Potential hike in cost of sales (like depreciation and raw material cost) would be offset by change in sales mix towards higher margin products eg higher performance as well as introduction of new mainstream products. These products command high gross margin ranging from 35%-40% whereby for conventional machinery it is usually <25%.

Sales Breakdown



Source: Company

High performance stamping machines

New product - bending machine



Source: Company, DBS Vickers

Valuation

BWPM is relatively cheaper than other equipment makers in the region. BWPM's closest competitors, namely, Jiangsu Yang Li Group Co Ltd, Chinfong (China) Mechanical Industry Ltd Company and Guandong Metal Forming Machine Co Ltd, are not listed. Hence we are comparing it with other equipment / machine tools manufacturers in Singapore, China and Japan. Despite its stronger growth profile, ROE and profitability, BWPM trades at only 8x FY07/FY08, much lower than its peers, which are trading at the PE band of 11x - 20x FY07/FY08.

Assuming a 25% discount to peers average for its smaller scale, we derived our target price of S\$0.82 based on 11.0x FY07/FY08 earnings, supported by DCF derived target price of S\$0.84.

Peers Comparison Table

Name	Px Last @ 2 nd July 2007	Adjusted Market Cap (USD m)	Est PE 2007	Est PE 2008	Blended PE 07/08	2Yr EPS CAGR	P/Bv	ROE	Prof Margin
Singapore Peers									
Bright World Precision	SGD 0.62	162	9.1	7.3	8.2	22%	2.7	33.7	25.8
UMS Holdings	SGD 0.64	162	11.2	10.0	10.6	1%	1.2	12.4	14.4
China Peers									
Chen Hsong Holdings	HKD 6.5	519	12.8	11.0	11.9	16%	2.2	15.5	13.9
Qinchuan Machinery Development	CNY 14.4	440	39.1	31.2	35.1	63%	4.7	6.2	6.3
Japan Peers									
Amada Co.	JPY 1583	5247	21.7	19.7	20.7	7%	1.5	6.8	10.5
Okuma Corp	JPY 2030	2794	20.0	19.9	20.0	5%	3.3	16.4	8.3
Toshiba Machine	JPY 1171	1594	17.8	16.3	17.0	5%	2.8	16.9	6.6
Toyo Machinery & Metal	JPY 788	133	13.0	11.7	12.4	15%	1.1	7.7	3.9
Average			19.4	17.1	18.2				
Average (Excl Qinchuan)			16.1	14.8	15.4				

Source: Bloomberg, DBSV estimates.

Peers Descriptions

Company	Bloomberg Ticker	Nature of Business
Bright World Precision	BWPM SP	The Group is engaged in the manufacture of metal forming machinery primarily the stamping, cutting and bending machines.
UMS Holdings	UMSH SP	Engaged mainly in the manufacture of equipment and automated assembly lines.
Chen Hsong Holdings	57 HK	The Group's principal activities are manufacturing and selling of plastic injection moulding machines and related products.
Qinchuan Machinery Development	000837 CH	The Group's principal activities are the manufacturing of metal cutting machine tools, plastic processing machines, gear grinders, precision gear boxes, hydraulic pressure systems, elevator hauling machines, digital controlled systems, and electronic products.
Amada Co.	6113 JP	Closest peer to Bright World. Amada is a large Japanese manufacturer of metal processing equipment & machinery. It provides machines, peripheral equipments (such as material storage), tools, software, and consumables necessary for the various "sheet metal processing" such as cutting, punching holes, bending, and welding of the thin metal sheets.
Okuma Corp	6103 JP	Manufacture and sales of NC machine tools (lathes, machining centers, grinders), NC controllers, FA products, servomotors, etc.
Toshiba Machine	6104 JP	Manufactures injection molding machines, die-casting machines, plastic extrusion machines, printing presses, high precision machines, hydraulic equipment, electronic controls, castings, machine tools, and semiconductor manufacturing equipment.
Toyo Machinery & Metal	6210 JP	Toyo specialises in the creation of three types of molding machines: plastic injection molding, optical disc molding, and die-casting machines.

Source: Bloomberg, Company Website

Company Focus

Bright World

Income Statement (RMB m)

FY Dec	2005A	2006A	2007F	2008F
Turnover	321.4	449.3	579.0	745.3
Cost of Goods Sold	(203.7)	(279.3)	(367.1)	(480.0)
Gross Profit	117.6	170.1	211.9	265.3
Other Opg (Exp)/Inc	(20.9)	(37.9)	(55.1)	(70.5)
EBIT	96.7	132.2	156.8	194.8
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(0.4)	(0.3)	0.1	0.2
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0
Pre-tax Profit	96.3	131.9	156.9	195.0
Tax	0.0	(16.1)	(19.2)	(23.8)
Minority Interest	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0
Net Profit	96.3	115.8	137.8	171.2
Net profit before Except.	96.3	115.8	137.8	171.2
EBITDA	106.6	146.6	177.2	235.0
Sales Gth (%)	24	40	29	29
EBITDA Gth (%)	20	38	21	33
EBIT Gth (%)	17	37	19	24
Effective Tax Rate (%)	0.0	12.2	12.2	12.2

Cash Flow Statement (RMB m)

FY Dec	2005A	2006A	2007F	2008F
Pre-Tax Profit	96.3	131.9	156.9	195.0
Dep. & Amort.	9.9	14.4	20.4	40.2
Tax Paid	0.0	(11.3)	(4.8)	(19.2)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(56.6)	(132.9)	(54.3)	(69.7)
Other Operating CF	0.0	0.0	0.0	0.0
Net Operating CF	49.5	2.1	118.3	146.3
Capital Exp.(net)	(47.6)	(42.9)	(80.0)	(80.0)
Other Invts.(net)	0.0	(21.8)	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	0.0	0.0
Net Investing CF	(47.6)	(64.7)	(80.0)	(80.0)
Div Paid	0.0	(38.4)	(34.8)	(41.3)
Chg in Gross Debt	20.0	20.0	0.0	0.0
Capital Issues	83.3	164.3	0.0	0.0
Other Financing CF	(78.3)	1.7	0.0	0.0
Net Financing CF	25.0	147.6	(34.8)	(41.3)
Net Cashflow	26.9	85.0	3.5	25.0

Quarterly / Interim Income Statement (RMB m)

FY Dec	2Q2006	3Q2006	4Q2006	1Q2007
Turnover	114.3	129.5	127.1	104.4
Cost of Goods Sold	(74.6)	(77.5)	(75.9)	(66.8)
Gross Profit	39.7	51.9	51.2	37.6
Other Oper. (Exp)/Inc	(11.6)	(6.2)	(11.3)	(12.0)
EBIT	28.2	45.8	39.9	25.6
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(0.5)	0.0	0.4	(0.2)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0
Pre-tax Profit	27.7	45.8	40.3	25.3
Tax	(3.5)	(5.7)	(4.7)	(3.2)
Minority Interest	0.0	0.0	0.0	0.0
Net Profit	24.2	40.1	35.6	22.2
Net profit bef Except.	24.2	40.1	35.6	22.2
EBITDA	28.2	45.8	50.9	35.0
Sales Gth (%)	46	13	(2)	(18)
EBITDA Gth (%)	29	63	11	(31)
EBIT Gth (%)	54	63	(13)	(36)
Gross Margins (%)	34.7	40.1	40.3	36.0
EBIT Margins (%)	24.6	35.3	31.4	24.5

Source: Company, DBS Vickers

Balance Sheet (RMB m)

FY Dec	2005A	2006A	2007F	2008F
Net Fixed Assets	141.4	169.9	229.5	269.3
Invts in Assocs & JVs	0.0	0.0	0.0	0.0
Other LT Assets	0.0	21.8	21.8	21.8
Cash & ST Invts	32.2	117.2	120.6	145.6
Other Current Assets	176.6	297.1	369.7	462.9
Total Assets	350.1	605.9	741.6	899.7
ST Debt	20.0	40.0	40.0	40.0
Other Current Liab	107.7	101.8	134.5	162.7
LT Debt	0.0	0.0	0.0	0.0
Other LT Liabilities	0.0	0.0	0.0	0.0
Shareholder's Equity	222.4	464.1	567.1	697.0
Minority Interests	0.0	0.0	0.0	0.0
Total Cap. & Liab.	350.1	605.9	741.6	899.7
Non-Cash Wkg. Cap	68.8	195.3	235.2	300.2
Net Cash/(Debt)	12.2	77.2	80.6	105.6

Rates & Ratios

FY Dec	2005A	2006A	2007F	2008F
Gross Margin (%)	36.6	37.8	36.6	35.6
EBITDA Margin (%)	33.2	32.6	30.6	31.5
EBIT Margin (%)	30.1	29.4	27.1	26.1
Net Profit Margin (%)	30.0	25.8	23.8	23.0
ROAE (%)	72.6	33.7	26.7	27.1
ROA (%)	34.7	28.0	23.7	24.1
ROCE (%)	72.9	38.5	30.4	30.8
Div Payout Ratio (%)	29.9	30.1	30.0	30.0
Interest Cover (x)	221.8	500.6	NM	NM
Debtors Turn (days)	69.2	84.5	90.2	90.2
Creditors Turn (days)	72.4	66.7	66.1	67.0
Inventory Turn (days)	116.4	135.1	144.1	142.0
Current Ratio (x)	1.6	2.9	2.8	3.0
Quick Ratio (x)	1.0	2.0	1.9	2.0
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
Capex to Debt (%)	238.1	107.3	200.0	200.0
N.Cash/(Debt)PS (RMB)	4.1	19.3	20.2	26.4
Opg CFPS (RMB)	35.4	33.7	43.1	54.0
Free CFPS (RMB)	0.6	(10.2)	9.6	16.6

PE Chart (x)



DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (0-15% total return over the next 12 months for small caps, 0-10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

"A director of DBSVR and the CEO of DBSVS is an independent director of Bright World."

As of 3 Jul 2007, the analyst and his / her immediate family do not hold positions in the securities recommended in this report.

DBS Vickers Securities (Singapore) Pte Ltd and its subsidiaries do not have a proprietary position in the securities recommended in this report as of 3 Jul 2007.

ANALYST CERTIFICATION

The research analyst primarily responsible for the content of this research report, in part or in whole certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This document is published by DBS Vickers Research (Singapore) Pte Ltd ("DBSVR"), a direct wholly-owned subsidiary of DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") and an indirect wholly-owned subsidiary of DBS Vickers Securities Holdings Pte Ltd ("DBSVH"). The research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. DBSVR accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. DBS Vickers Securities Holdings Pte Ltd is a wholly-owned subsidiary of DBS Bank Ltd. DBS Bank Ltd along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. DBSVR, DBSVS, DBS Bank Ltd and their associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies. DBSVR, DBSVS, DBS Bank Ltd and/or other affiliates of DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, beneficially own a total of 1% or more of any class of common equity securities of the Bright World mentioned in this document. DBSVR, DBSVS, DBS Bank Ltd and/or other affiliates of DBSVUSA, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the Bright World. DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively. DBS Vickers Securities (UK) Ltd is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Services Authority. Research distributed in the UK is intended only for institutional clients.

DBS Vickers Research (Singapore) Pte Ltd – 8 Cross Street, #02-01 PWC Building, Singapore 048424
 Tel. 65-6533 9688, Fax: 65-6226 8048
 Company Regn. No. 198600295W