

# Qian Hu Corporation

Initiating Coverage

## BUY

**Current Price** S\$0.13  
08 Jun 2009  
**Fair Value** S\$0.19

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### Historical Chart



Source: Bloomberg

### Stock Statistics

<b>Market Cap</b>	S\$53.9m
<b>52-HI</b>	S\$0.155
<b>52-LOW</b>	S\$0.075
<b>Avg Vol (1 yr)</b>	287,893
<b>Shares Outstanding</b>	420.37m
<b>Free Float</b>	182.4m

### Key Indicators

<b>ROE 09F</b>	9.4%
<b>ROA 09F</b>	6.1%
<b>P/BK</b>	0.96x
<b>Net gearing</b>	0.07x

### Major Shareholders

<b>Qian Hu Holding</b>	26.3%
<b>Yap family</b>	29.8%

## King of ornamental fishes

- A leading ornamental fish exporter**, providing a spectrum of services including distribution of over 1,000 species and varieties of ornamental fish from all around the world, the manufacture and distribution more than 3,000 aquarium accessories, including pet foods and medications. Currently, Qian Hu has a presence in four countries, Singapore, Malaysia, Thailand, and China.
- Market size of more than US\$14bn.** According to Food and Agriculture Organisation's (FAO) 2004 report, the whole industry including accessories and fish feed represents a total market size of more than US\$14bn. The value has been growing at an average rate of 8% annually. We believe ornamental fish business should continue to post sustainable growth despite the current economic slowdown, given the resilient demand for its food products and accessories.
- Expanding into other regions.** Qian Hu believes it is the only ornamental fish company in the world to be able to export fish from Singapore, Malaysia, Thailand and China. It started to expand to other countries since 1999. Over the past ten years, the group has transformed itself from a small Singapore fish farmer to an integrated one-stop world ornamental fish service provider.
- Four pillars of growth.** Qian Hu is uniquely positioned as an integrated ornamental fish service provider. It has four growth engines: 1) the export of ornamental fish and accessories; 2) distribution of ornamental fish and accessories; 3) manufacture of aquariums and pet accessories; and 4) the breeding of dragon fish. Each of the business segments are integral links within its total value chain.
- Initiate coverage with Buy recommendation.** Qian Hu trades at 9x FY09 fully diluted P/E and 5x EV/EBITDA, which is not demanding given its rather unique business and strong brand name. We have a target price of S\$0.19, applying 1.3x FY10 P/BV, the mean of its 7-year rolling forward P/BV band. Given the 46% upside potential, we initiate coverage with a Buy recommendation. We see potential catalysts from its successful expansion into the accessories businesses, better yield return of dragon fish productivity and positive contributions from the new farm in this financial year.

### Key Financial Data

(S\$ m, FYE Dec)	2007	2008	2009F	2010F	2011F
<b>Sales</b>	91.7	93.1	96.2	102.4	109.1
<b>Gross Profit</b>	31.5	33.1	33.8	36.2	38.7
<b>Net Profit</b>	4.9	6.0	6.5	7.6	8.6
<b>Fully Diluted EPS (cents)</b>	1.3	1.5	1.4	1.7	1.9
<b>EPS growth (%)</b>	77.9	8.4	(1.9)	16.5	13.2
<b>Fully Diluted PER (x)</b>	9.7	8.9	9.1	7.8	6.9
<b>NTA/share (cents)</b>	12.5	12.4	13.6	14.9	15.1
<b>DPS (cents)</b>	2.5	0.2	0.4	0.5	0.5
<b>Div Yield (%)</b>	19.0	1.5	3.0	3.5	3.6
<b>EV/EBITDA (x)</b>	6.2	5.4	5.4	4.6	4.2

Source: Company, NRA Capital estimates

## Group Structure

Qian Hu (which means “Thousand Lakes” in Chinese), has received several awards from the Securities Investors Association of Singapore since 2001 for its commitment to corporate transparency. The company also won a special mention in the Best Managed Board Awards from the Singapore Institute of Directors in 2003, 2007 and 2009.



Source: Company

## **Company Background**

Incorporated in 1998, Qian Hu is an integrated one-stop ornamental fish service provider – providing a spectrum of services involving distribution of well over 1,000 species and varieties of ornamental fish from all around the world as well as the manufacture and distribution of more than 3,000 wide range of aquarium accessories, including pet foods and medications. Currently, Qian Hu has a presence in four countries, Singapore, Malaysia, Thailand, and China, which consists of ten subsidiaries and associates.

Its main business activities can be classified into:

### **Ornamental Fish**

The group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming and distribution activities. Ornamental fish are imported from countries in South-East Asia, South America and Africa. The group currently exports over 1,000 species and varieties of ornamental fish directly to more than 80 countries as well as distributes to local retailers and exporters. Its in-house bred "Qian Hu" Dragon Fish is exported mainly to Japan, Southeast Asia and Northeast China as a premium brand.

### **Accessories**

The distribution of accessories complements the ornamental fish operations by providing a "one-stop" shop to meet customers' aquarium needs to approximately 30 countries. The group distributes more than 3,000 types of aquarium and pet accessories for more than 20 major manufacturers and principals to local retailers and to wholesalers in Asia, including supermarkets operated by NTUC FairPrice, Cold Storage, Carrefour, Lotus and Tesco, etc.

12 retail chain stores under the brand "Qian Hu – The Pet Family" in Malaysia, Thailand and China integrates all of its core products plus value-added services such as pet grooming in selected stores. The group has also developed its own brands of aquarium and pet accessories under the name "Ocean Free", "Delikate", "BARK", "Nature's Gift" and "ARISTO-CATS YI HU". In addition, the Group has more than 150 distribution point across China distributing its Dragon Fish and its house-brands of accessories products.

### **Manufacturing**

Accessories manufacturing facility in Guangzhou, China produces a wide range of aquarium accessories under Qian Hu's in-house brands as well as a host of thirdparty OEM brands. Located in Guangzhou's Dong An Industrial Park with a gross floor area of 15,000 square metres. This factory serves as a contract manufacturer and distribution agent for third-party brands such as EHEIM and Arcadia, it is capable of producing a wide variety of aquarium accessories such as PUA tanks, cabinets, lightings, airpumps, as well as fish medication and food under Qian Hu's proprietary brands.

As an ancillary business, Qian Hu manufactures plastic bags for its own use in the packing of ornamental fish for sale in a separate factory located in Woodlands, Singapore. The plastic bags are also supplied to third parties in the ornamental fish, food and electronics industries.

## Business Model



Source: Company

## Global Footprint



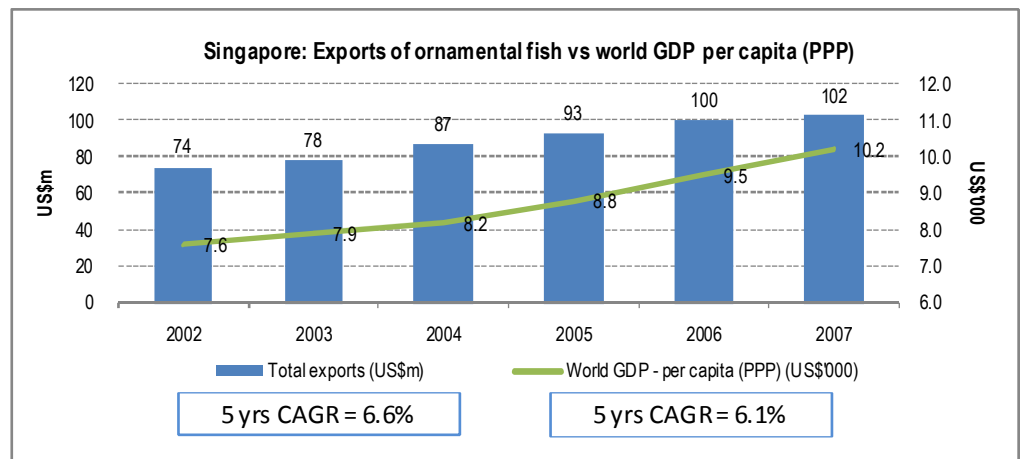
Source: Company

## Outlook

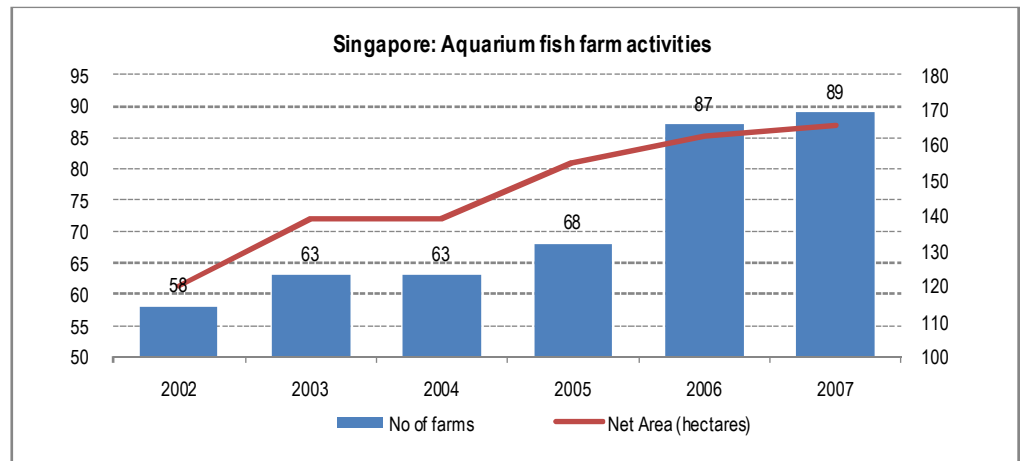
**Total market size of more than US\$14bn.** According to Food and Agriculture Organisation (FAO) 2004 report, the wholesale value of the global ornamental fish trade is estimated to be US\$1bn while the retail value is US\$6bn. Including accessories and fish feed, the total market balloons to more than US\$14bn. More than 2,500 species are traded in the market. The value of the international ornamental fish trade has been growing at an average rate of 14% yearly since 1985 and slowed down to 8% annual growth rate since 2000. Of this, Asian countries account for a significant 68% share.

**Singapore is a growing global player.** We believe the ornamental fish business should record sustainable growth despite the current economic slowdown, due to resilient demand for food products and accessories. Singapore is the top exporter of ornamental fish in the world with about 20% global market share and has been the world's top exporter since 1976. This is largely because Singapore has more air route connections and the government has been more facilitative in helping the industry. More than 80% of the production going to Singapore is for re-export. Singapore is not only reputed to be the ornamental fish capital of the world, it is also lauded for its one-stop-shop capability.

**Singapore ornamental fish exports grow in steady.** Singapore exports of ornamental fish have grown from US\$74m in 2002 to US\$102m in 2007 or 6.6% on 5-year CAGR. The trend is similar to the 5-year CAGR world GDP per capita of 6.1% or slightly higher than Singapore GDP average growth rate of 5.1% from 2002 to 2007. According to AVA Singapore, the number of aquarium fish farmers and the net area used has been increasing over the past seven years. This includes the S\$3m Qian Hu invested on a new farm in Singapore last year, next to its current fish farm. This new farm will be enlarging its breeding capacity by 2-3x than the existing one and management expects earnings will start contributing this year. The farm is expected to be ready for operations in second half of this year.



Source: The Agri-Food and Veterinary Authority of Singapore (AVA), Index Mundi



Source: The Agri-Food and Veterinary Authority of Singapore (AVA)

**Strong product knowledge requirement.** Even the seemingly simple process of preparing fish for export requires precision. Ornamental fish handling is a knowledge-based business, such as environmental conditioning, proper nutrition, quarantine and medication required. The fish have to undergo stringent pre-flight conditioning to prepare them for the long journey overseas. This preparation spans the regulation of water quality and diet, to waste reduction, space acclimatisation and temperature control. The process helps to ensure that the fish arrive at their destinations in good shape. With ISO 9001 and ISO 14001 in place, customers can be assured that their orders will arrive in good condition. Qian Hu is able to guarantee customers a loss rate of not more than 3% when the fish are delivered to them. By leveraging on its knowledge base and engaging advanced mechanical and IT systems, Qian Hu has dramatically improved the productivity and quality of its packing operations which is fully automated and has capabilities to print bulk labels, track goods and generate business reports.

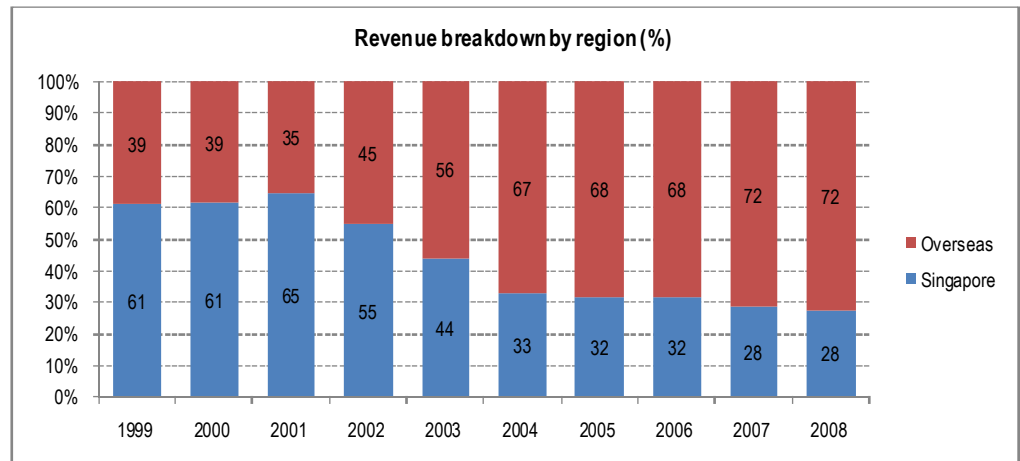
**Expanding into other regions.** Qian Hu started to expand to Malaysia, Thailand and China since 1999. Over the past ten years, with the experienced management term, the group has transforms itself from a small Singapore fish farmer to an integrated one-stop world ornamental fish service provider. And now Qian Hu is the only ornamental fish company in the world to be able to export fish from these four countries.

### Qian Hu's integrated value chain

	Fish	Accessories	Retail chain stores	Plastic
Singapore	•	•		•
Kuala Lumpur, Malaysia	•	•	•	
Batu Pahat, Malaysia	•	•	•	
Bangkok, Thailand	•	•	•	
Beijing, China	•	•		
Guangzhou, China		•		•
Shanghai, China			•	
UK		•		

Source: Company

**Reducing reliance on the Singapore market,** Qian Hu has enlarged its overseas revenue contribution from 39% in 1999 to 72% in 2008. We believe this will provide a good platform for the group to continue gaining market share in this highly fragmented industry. We believe Qian Hu is already a global leader of the ornamental fish industry with an approximate 5% market share. In April-09, its invested S\$400k in the new plant in Chennai, India through a joint venture, this will have two factories focusing on production of fish food and aquarium accessories.



Source: Company

**Malaysia will take a bigger slice of the export market in the future.** Currently, Malaysia is the world's top producer and also second largest exporter of ornamental fish. The country's leadership position in production is significant because more than 90% of freshwater ornamental fish are captive bred with lower cost to produce. We believe, together with its Singapore market, Qian Hu will continue to lead the market share in the ornamental fish industry. The group has also enhanced its Malaysia fish farm production capabilities last year.

**Raising demand as a lifestyle decoration.** Colorful tropical fishes in a beautifully styled aquarium can be the center of attraction in a wall layout, as is a popular trend these days. Some people not only use the aquariums to decorate their home or shop, it also considered to be a decorative element with "Fengshui" properties. Some people believe a properly set-up aquarium decoration with "Fengshui" factors can bring in a lot of prosperity, stimulating inflow of money and good luck. Qian Hu also expects the assimilation of "Fengshui" into Western and other markets to drive up global demand for dragon fish.

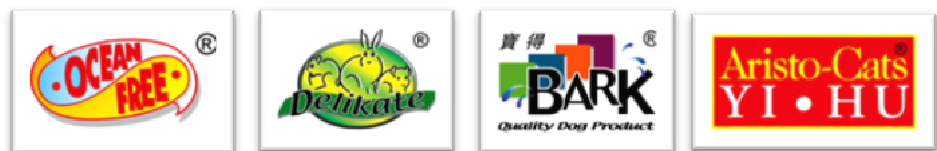
**Breeding of dragon fish (arowana).** The most famous and powerful "Fengshui" wealth fish is the arowana or dragon fish. The purest arowanas are known to command quite high prices and the arowana is considered by many practitioners to be the most potent fish in "Fengshui". Qian Hu has established an early presence in the breeding and distributing of arowana in 1995, one of the earliest to be registered with the AVA Singapore. The barriers to entry are high - knowledge and experience are crucial to make it successful, along with high capital investments involved. This is why there are presently only six registered farms in Singapore.

**Riding the wave of dragon fish.** Today, the group exports arowana mainly to its subsidiaries in Malaysia, Thailand and the PRC along with markets like Japan and Hong Kong. The contribution from arowana has increased from 21% of its total fish revenue in 2003 to 43% in 2008. This includes Qian Hu's research collaboration with Temasek Life Sciences Laboratory (TLL) which has yielded excellent results, this five-year research project has discovered the secrets of the world's most expensive ornamental fish breeding habits and led to a doubling in fish production. The research team is now embarking on the second phase of the project, and hopes to use this cutting edge research to produce high quality lineage of dragon fish as well as further improve yields for the breeders.

**Potential upside from growing accessories division.** Qian Hu currently has a distribution network spanning 30 countries for its accessories business with more than 5,000 types of aquarium and pet accessories for about 27 major manufacturers and principals. It is natural that its accessories business should be expanded as consumers invariably spend an average of five dollars on accessories for every dollar spent on ornamental fish. With the acquisition of a 20% stake in Arcadia Products PLC in July 2007, it enables the group to make its first foray into the European market.

**More markets penetration going forward.** The group intends to export its accessories products to as many countries as its ornamental fish is exported to, as well as to develop new and innovative products especially for the European and American markets. Qian Hu aims to grow its services to OEM customers, and be a significant player in the global aquarium accessories industry.

**Improved in-house brand names for accessories products.** Through the years, Qian Hu has developed various in-house brands such as "OCEAN FREE", "DELIKATE", "BARK" and "ARISTO-CATS YI HU" for its aquarium and pet accessories products. We believe, with its successful branding strategy, the group should attain sustainable competitive advantage and a brand differentiator that sets them apart from its competitors. Qian Hu aims to emerge as one of the top three manufacturers in China for aquarium accessories in the not-too-distant future.



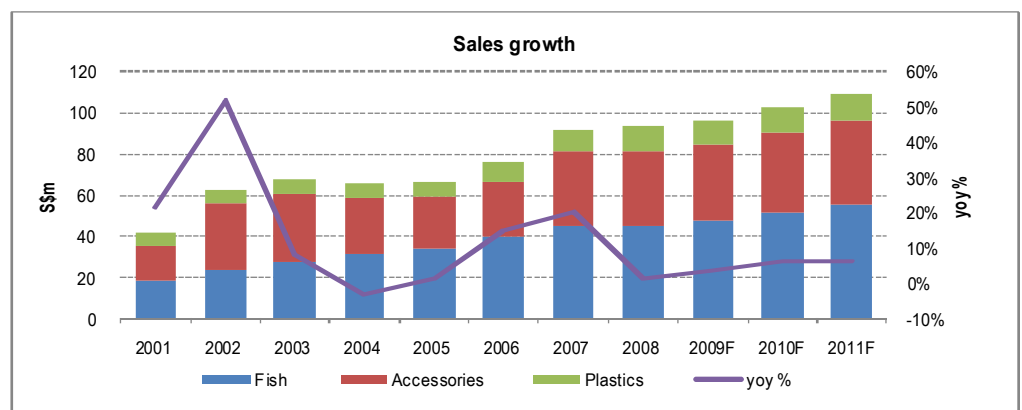
**A "cash cow" from plastic business.** Currently, apart from what is needed for its own use, the plastic bags manufactured are sold locally to the ornamental fish, food and electronics industries. Its ancillary business division has served the group well as a 'cash cow' with high profit margins, while it has also reached downstream with its range of aquarium and pet accessories brands, stocked in major retailers and hypermarts, such as NTUC and Cold Storage.



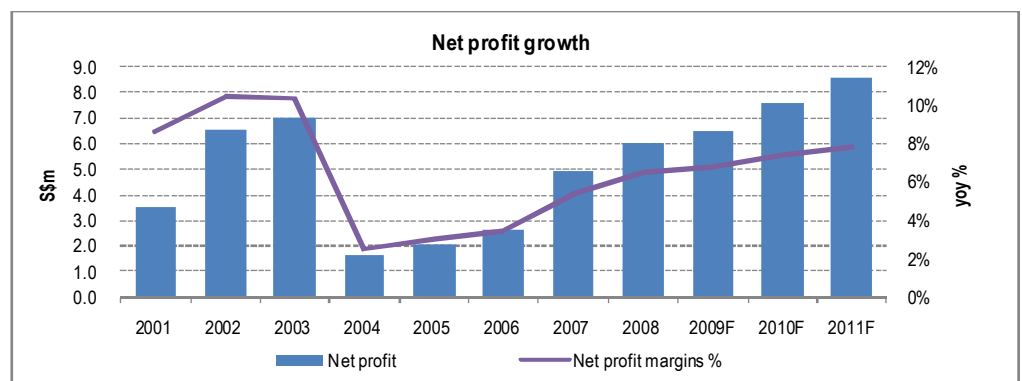
## Financial Overview

**Steady revenue growth.** Group sales grew steadily from 2001 to 2008 (13% CAGR), underpinned by steady growth in the fish division. Accessories revenue declined in 2004 after strong growth in 2002-03 due to the “Luo Han” fish craze. FY05-08 revenue CAGR was 12% and net profit CAGR was 44%, due to expansion margins across from all segments. 1Q09 revenue growth was 2% yoy for the ornamental fish business, 2% for accessories, and negative 8% for plastic bags due largely of product mix so as to focus on selling plastic products with better margins.

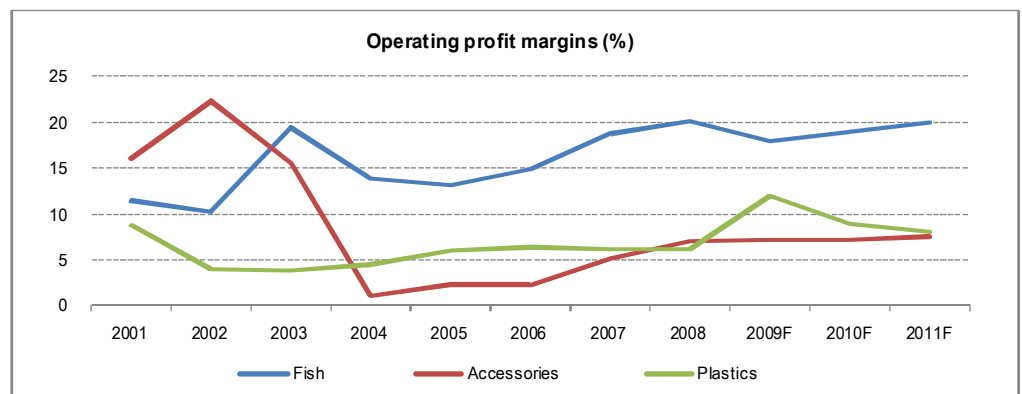
We expect the growth to be sustainable in the next couple of years. While we understand that management is focusing on bottom-line growth, we project 3-7% yoy revenue growth for FY09-11 which is slightly lower than the overall industry growth rates of 8%.



Source: Company, NRA Capital estimates

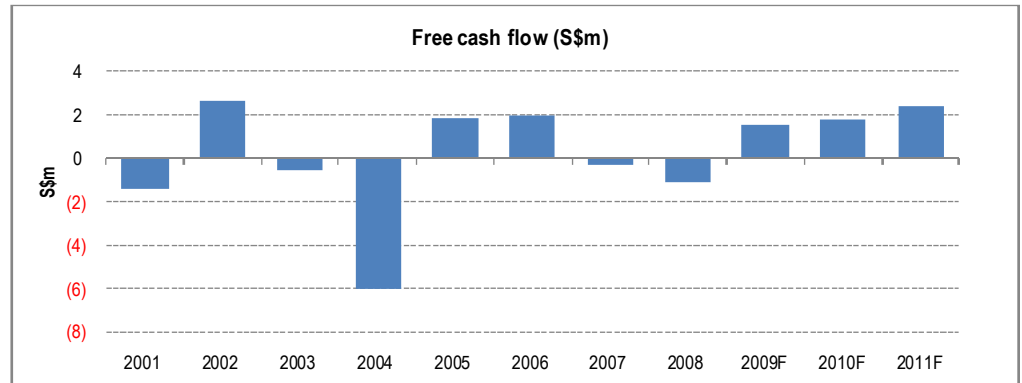


Source: Company, NRA Capital estimates



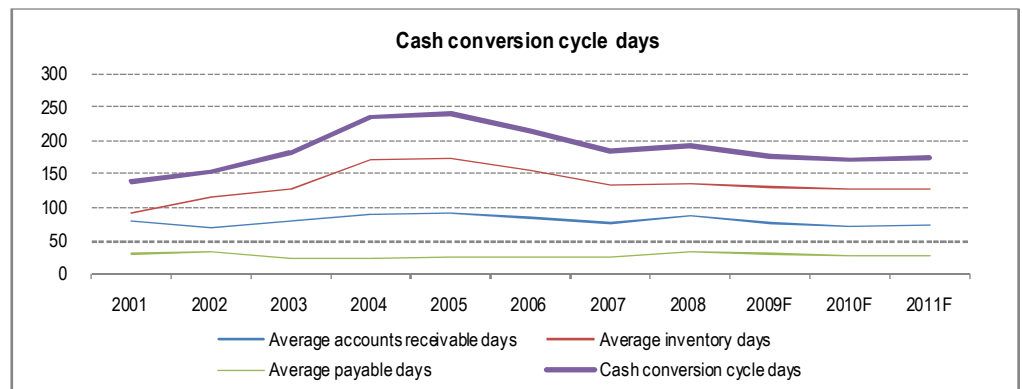
Source: Company, NRA Capital estimates

**Healthy cash flows.** Operating cash flow increased from S\$2m from FY00 to S\$9.8m in FY08. We expect operating cash flow to remain stable over the next three years. Free cash flow, on the other hand, was negative for Qian Hu in 2007 and 2008 due to the purchase of brooder stocks in Malaysia and expansion in Singapore. We expect free cash flow to turn positive in FY09-11 on higher profits generated and reduced capex.



Source: Company, NRA Capital estimates

**Low gearing and stable cash cycle days.** Net gearing remained stable at 7% as at end Mar-09 from end FY08, but inched up from 3% as at end FY07 due to additional bank borrowings to finance its new farm in Singapore. Cash conversion cycle days inched up two days from FY08 to 193 days as at end Mar-09, due to an increase of 7 days of stock turnover but partially offset by reduced receivable days. However, we expect the figure to remain stable at around 176 days in FY09.



Source: Company, NRA Capital estimates

## Risks

**Disease outbreaks.** Ornamental fish are easily affected by disease and infections. However, fatal infections across breeds are uncommon. Nonetheless, it is possible that a rare or virulent strain of bacteria or virus may infect many of the fish at the farm. To minimise risks, the group has diversified into different fish breeds. Currently, its own breed of arowana (dragon fish) and arapaima contribute about 30% of its sales while the breeding of another 500 species of ornamental fish has been outsourced.

**Heavily reliant on the popularity of dragon fish in Asian.** Qian Hu has invested heavily in the breeding of dragon fish. It depends heavily on the Japanese and Singapore markets for the sale of dragon fish. Therefore, any changes in consumer perceptions and preferences will affect its earnings. However, the demand for dragon fish in Asia has been stable in the past 30 years. The group also expects to diversify its risk of relying on certain Asian markets with more markets opening up, such as Taiwan.

**Increased competitive pressures.** Qian Hu's targeted growth will be affected by the extent to which competitors expand their market share. It cannot be ruled out that new, financially potent competitors who are prepared to invest very large amounts in advertising may enter the market. This could cause the competitive pressures on Qian Hu to grow, which may lead to decline in profitability, loss of market share and declines in sales. This is still a fairly fragmented industry, populated mostly with small-scale domestic players. There is no comparable listed company locally, its Malaysia competitor's Xian Leng reported turnover of S\$13.5m at the end of FY08.

**Currency risk.** The group primarily trades in S\$ for its ornamental fish, but most of its purchases are made in foreign currencies like the ringgit, rupiah and US\$. For accessories, raw material and staff costs are primarily in Rmb. As such, any material fluctuations in the relevant currency rates against the S\$ will have an effect on its consolidated financial statements.

## Management

**Mr Kenny Yap - Executive Chairman and Managing Director.** Mr Yap is largely responsible for establishing Singapore as the ornamental fish capital of the world. He has a string of awards to his name, including the Public Service Award in 2004. Mr Yap graduated from Ohio State University (US) with a 1st Class Honours degree in Business Administration. He currently serves as the Chairman of the Ornamental Fish Business Cluster initiated by the AVA and is a member of the Action Community for Entrepreneurship (ACE). In 2007, he was appointed by the National Youth Council as the Chairman of the Youth Award (Entrepreneurship) Committee. June 2008, he was named as one of the Top 10 Outstanding Entrepreneurs by China Education Television, Beijing Municipal Administrations of Cultural Heritage, Fortune Times, Phoenix Satellite and several other organisations in China.

**Mr Alvin Yap - Deputy Managing Director.** He is a cousin of Kenny Yap and founding member of the group. He oversees Qian Hu's aquarium and pet accessories operations. Mr Alvin Yap holds a diploma in Mechanical Engineering from Singapore Polytechnic and was the Managing Partner of Yi Hu Fish Farm Trading from 1988 to 1998. In 2000, he, together with Mr Kenny Yap and Mr Andy Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

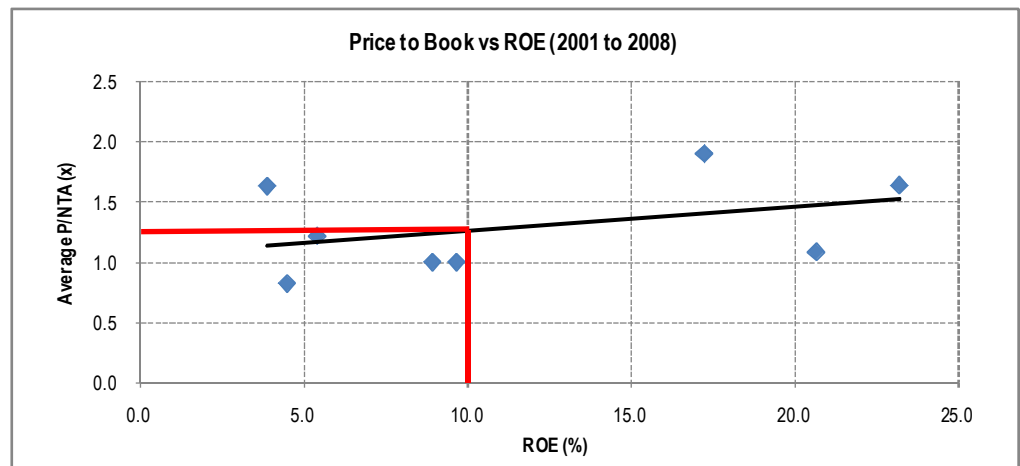
**Mr Andy Yap - Deputy Managing Director.** He is also a cousin of Kenny Yap and also one of the founding members of the group. He heads Qian Hu's ornamental fish operations as Deputy Managing Director. Mr Yap holds a diploma in Business Studies from Ngee Ann Polytechnic and was the Managing Partner of Qian Hu Fish Farm Trading from 1989 to 1998. In 2000, he, together with Mr Kenny Yap and Mr Alvin Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

**Ms Lai Chin Yee - Financial Controller.** She was the Group Financial Controller before assuming her appointment as Finance Director in Nov 04. She is responsible for accounting, finance, treasury and tax functions. Prior to joining the group in 2000, Ms Lai was an auditor with international accounting firms. She holds a Bachelor's degree in Accountancy from the National University of Singapore and is a fellow of the Institute of Certified Public Accountants of Singapore.

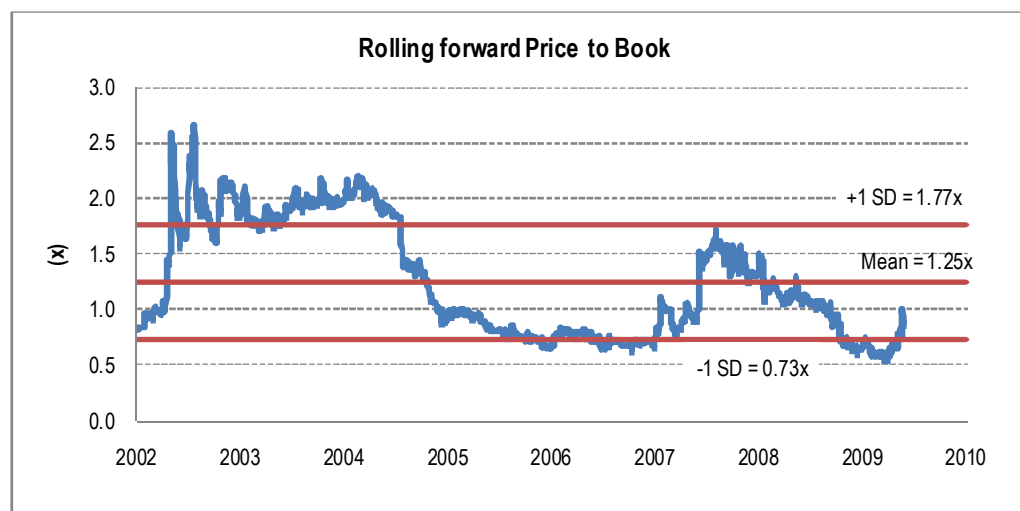
## Valuation and Recommendation

**Initiate coverage with Buy recommendation and target price of S\$0.19.** Qian Hu trades at 9x FY09 fully diluted P/E and 5x EV/EBITDA, which is not demanding in view of our 12% net profit CAGR projection for the next three years. Given its rather niche business, strong brand name and good track record over the past 10 years, we have a target price of S\$0.19, based on 1.3x FY10 P/BV, as we have projected ROE to average 10% for the next three years. This is also the mean of its 7-year rolling forward P/BV band.

**Potential surprise and reasonable yield expects.** We see potential catalysts from its successful expansion into the accessories businesses, better yield return of dragon fish productivity and positive contributions from the new farm in this year. We also expect free cash flow to turn positive in FY09-11 on higher profits generated and a decline in capex. We expect Qian Hu to pay out 25% of its profits as dividends. This was the average payout ratio from 2003 to 2006, excluding 2007 and 2008 due to the one-off use of the credit under section 44. These translate into DPS of 0.4 Sct or a current dividend yield of 3-4%. Given the 46% upside potential to our fair value, we initiate coverage with a Buy recommendation.



Source: NRA Capital Estimates



Source: NRA Capital Estimates



Source: NRA Capital Estimates



Sources: company

<b>Profit &amp; Loss</b> (S\$ m, FYE Dec)	<b>2007</b>	<b>2008</b>	<b>2009F</b>	<b>2010F</b>	<b>2011F</b>
Revenue	91.7	93.1	96.2	102.4	109.1
Operating expenses	(81.0)	(80.7)	(83.7)	(88.0)	(93.3)
EBITDA	10.8	12.4	12.5	14.4	15.8
Depreciation & amortisation	(2.2)	(2.4)	(2.6)	(3.2)	(3.2)
EBIT	8.5	9.9	9.8	11.3	12.5
Net interest & invt income	(0.6)	(0.7)	(0.4)	(0.4)	(0.4)
Associates' contribution	0.0	(0.0)	0.1	0.1	0.1
Exceptional items	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>7.9</b>	<b>9.2</b>	<b>9.5</b>	<b>10.9</b>	<b>12.2</b>
Tax	(1.6)	(1.8)	(1.9)	(2.1)	(2.3)
Minority interests	(1.4)	(1.4)	(1.2)	(1.2)	(1.3)
<b>Net profit</b>	<b>4.9</b>	<b>6.0</b>	<b>6.5</b>	<b>7.6</b>	<b>8.6</b>
Wt. shares (m)	368.1	414.6	414.6	414.6	454.1
Shares at year-end (m)	368.1	414.6	414.6	414.6	454.1
<b>Balance Sheet</b> (S\$ m, as at Dec)	<b>2007</b>	<b>2008</b>	<b>2009F</b>	<b>2010F</b>	<b>2011F</b>
Fixed assets	33.8	41.4	45.8	50.0	54.2
Intangible assets	2.1	2.2	2.2	2.2	2.2
Other long-term assets	0.8	0.8	0.8	0.8	0.8
<b>Total non-current assets</b>	<b>36.8</b>	<b>44.4</b>	<b>48.8</b>	<b>53.0</b>	<b>57.2</b>
Cash and equivalents	7.5	8.3	9.1	10.2	11.1
Stocks	22.0	22.4	22.5	23.9	25.3
Trade debtors	17.6	20.9	19.7	21.3	23.1
Other current assets	4.9	4.5	5.5	6.2	7.1
<b>Total current assets</b>	<b>52.0</b>	<b>56.1</b>	<b>56.8</b>	<b>61.5</b>	<b>66.7</b>
Trade creditors	7.4	9.2	7.7	8.2	8.7
Short-term borrowings	7.5	10.4	10.6	11.5	12.0
Other current liabilities	13.5	12.1	12.7	13.3	13.9
<b>Total current liabilities</b>	<b>28.4</b>	<b>31.8</b>	<b>31.0</b>	<b>33.0</b>	<b>34.7</b>
Long-term borrowings	1.9	2.4	2.3	2.3	2.2
Other long-term liabilities	2.9	3.6	3.6	3.6	3.6
<b>Total long-term liabilities</b>	<b>4.8</b>	<b>6.0</b>	<b>5.9</b>	<b>5.9</b>	<b>5.8</b>
<b>Shareholders' funds</b>	<b>48.0</b>	<b>53.6</b>	<b>58.5</b>	<b>64.1</b>	<b>70.6</b>
Minority interests	7.6	9.1	10.3	11.5	12.8
NTA/share (S\$)	0.12	0.12	0.14	0.15	0.15
<b>Total Assets</b>	<b>88.8</b>	<b>100.5</b>	<b>105.7</b>	<b>114.5</b>	<b>123.9</b>
<b>Total Liabilities + S'holders' funds</b>	<b>88.8</b>	<b>100.5</b>	<b>105.7</b>	<b>114.5</b>	<b>123.9</b>
<b>Cash Flow</b> (S\$ m, FYE Dec)	<b>2007</b>	<b>2008</b>	<b>2009F</b>	<b>2010F</b>	<b>2011F</b>
Pretax profit	7.9	9.2	9.5	10.9	12.2
Depreciation & non-cash adjustments	3.9	3.3	3.6	4.5	4.5
Working capital changes	(2.0)	(1.6)	(1.1)	(3.2)	(3.8)
Cash tax paid	(1.1)	(1.1)	(4.7)	(4.5)	(4.7)
Others	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from operations</b>	<b>8.7</b>	<b>9.8</b>	<b>7.4</b>	<b>7.7</b>	<b>8.3</b>
Capex	(8.9)	(10.9)	(5.8)	(5.9)	(5.9)
Net investments & sale of FA	(0.7)	0.1	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>(9.6)</b>	<b>(10.8)</b>	<b>(5.8)</b>	<b>(5.9)</b>	<b>(5.9)</b>
Debt raised/(repaid)	(0.2)	3.9	0.1	0.8	0.5
Equity raised/(repaid)	1.2	0.1	0.0	0.0	0.0
Dividends paid	(0.6)	0.0	(0.8)	(1.6)	(1.9)
Cash interest & others	0.5	(1.8)	0.0	0.0	0.0
<b>Cash flow from financing</b>	<b>0.9</b>	<b>2.2</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>(1.4)</b>
<b>Change in cash</b>	<b>(0.0)</b>	<b>1.2</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>
<b>Change in net cash/(debt)</b>	<b>0.1</b>	<b>(2.7)</b>	<b>0.7</b>	<b>0.2</b>	<b>0.5</b>
<b>Ending net cash/(debt)</b>	<b>(1.9)</b>	<b>(4.6)</b>	<b>(3.8)</b>	<b>(3.6)</b>	<b>(3.1)</b>
<b>KEY RATIOS</b> (FYE Dec)	<b>2007</b>	<b>2008</b>	<b>2009F</b>	<b>2010F</b>	<b>2011F</b>
Revenue growth (%)	20.5	1.5	3.4	6.5	6.5
EBITDA growth (%)	32.3	14.8	0.8	15.8	9.4
Pretax margins (%)	8.6	9.9	9.9	10.7	11.2
Net profit margins (%)	5.4	6.5	6.8	7.4	7.8
Interest cover (x)	10.4	11.5	17.3	18.6	20.0
Effective tax rates (%)	20.2	19.5	19.5	19.5	19.0
Net dividend payout (%)	183.8	13.7	27.4	27.4	25.0
Debtors turnover (days)	66.7	75.5	77.0	73.0	74.2
Stock turnover (days)	132.4	135.1	131.1	127.6	127.6
Creditors turnover (days)	26.6	32.4	32.0	28.3	28.3

Source: Company, NRA Capital Estimates

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