

Recommendation:

BUY

Previous call: Buy @ \$0.165 on
16th Jan 2008

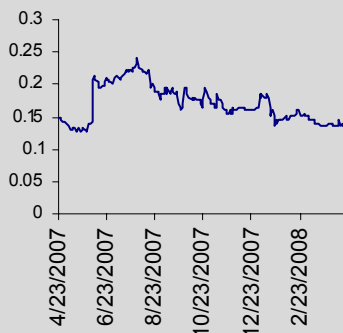
Price

Previous close **S\$0.14**
Fair value **S\$0.20**
Share price return **42.8%**

Share Statistics

Shares 413.769m
Market Cap. \$57.93m
Trailing PER 11.3x
Forward PER 11.3x
P/BV 1.2x
52-week Price Range \$0.12-\$0.24
52-week PER Range 9.7x-19.5x
Listing Bourse SGX-Main
Board Qianhu
Major Shareholder Holdings 26.4%

Price Chart



Company Profile

Qian Hu Corporation Limited imports, exports and distributes ornamental fish and aquarium and pet accessories. The company also manufactures and distributes plastic bags for ornamental fish, food and electronics industries.

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Qian Hu Corporation Limited

Riding the Through Train

23 April 2008

Qian Hu (QH) reported 1QFY08 result with a 4.7% YoY increase in revenue from S\$21.9 million to S\$23 million. Net profit attributable to shareholder jumps 33.7% from S\$0.9 million to S\$1.2 million. Earnings per share rose from 0.23 cents to 0.28 cents on a fully diluted basis.

Improving margins YoY. Bottom-line growth outpaces top-line growth. Revenue for the period improves 4.7%, gross profit improves 12.7%, net profit improves 30.4% and net profit attributable to shareholder improves 33.7%.

Product segments analysis. Fish sales continued to form the bulk of revenue with a 50% contribution. Accessories added 38% while plastics took up the rest. On a YoY basis, fish sales increased 5.9% and accessories sales increased 6.4%. Plastics on the other hand recorded a 5.3% drop in revenue. On a QoQ basis, fish sales were flat, however accessories revenue dropped 14.2% while plastics revenue dropped 7.1%. The lower sales of accessories can be attributed to the Chinese New Year holiday in the 1st quarter of 2008 whereby the Guangzhou production plant was closed for a one-week break. Higher sales were also recorded in the 4th quarter of 2007, as demand tends to be higher during that period. Plastics segment returned lower revenue mainly because of lower demand from the electronics sector.

Geographical analysis. Revenue derived from Singapore and other Asian countries registered flat growth while European region's revenue improved 15% and other countries, which include Australia, Middle East and Russia improved 38%. The growth bears testimony to QH's effort to expand its sales and distribution network.

Valuation and recommendation. We can see that QH's expansion plan is on track and its expansion efforts are starting to bear fruits. Although there is a slight decline in revenue of 6.5% from 4QFY07 results, this is mainly due to seasonal factor. QH is currently trading at 11.3X FY08F earnings. We maintain our fair value peg of 15x blended FY08/09 earnings, which gives us a value of \$0.20. We maintain our Buy rating with an upside of 42.8%.

Key Financial Data

(Financial Year Ended 31 Dec)	1QFY07	1QFY08	%ch	FY07	FY08F	FY09F
Turnover (S\$m)	21.9	23.0	4.7	91.7	104.2	113.4
EBITDA	2.4	2.9	20.8	10.9	12.0	13.1
EBIT	1.8	2.3	27.7	7.0	9.6	10.7
Net profit attributable to shareholder	0.9	1.2	33.7	4.9	5.5	6.2
Gross profit margin (%)	34.0	36.6	2.6ppt	34.4	35.0	35.9
Net profit margin (%)	5.6	7.0	1.4ppt	6.9	6.7	6.9
Diluted EPS (cents)	0.23	0.28	21.7	1.23	1.23	1.40
NTA per share (cents)	NA	13.3	NA	13.0	14.3	14.5
ROE (%)	1.9	2.2	0.3ppt	9.4	9.4	9.6
Gearing (Total debt/ Total assets) (%)	17.6	18.3	0.7ppt	17.9	15.7	13.6

Source: Company, Phillip Securities Research

N.M = Not meaningful

Profit & Loss Statement

(S\$m)	FY06	FY07	FY08F	FY09F
Revenue	76.1	91.7	104.2	113.4
COGS	(49.1)	(60.2)	(67.7)	(73.7)
Gross profit	27.0	31.5	36.5	39.7
Other operating income	0.17	0.2	0.2	0.3
Selling & Distribution expense	(2.5)	(2.8)	(3.1)	(3.4)
General & Administrative expense	(13.1)	(16.3)	(17.2)	(18.7)
Other expenses	(2.8)	(1.6)	(4.4)	(4.7)
Depreciation and amortisation	(2.30)	(2.2)	(2.4)	(2.4)
Net finance expense	(0.69)	(0.8)	(0.8)	(0.8)
Tax	(1.4)	(1.6)	(1.8)	(2.1)
Share of profit from associate	0.0	0.0	0.1	0.1
Net profit	3.88	6.3	7.0	7.9
Net profit attributable to shareholders	2.62	4.9	5.5	6.2
Gross profit margin (%)	35.4	34.4	35.0	35.0
Net profit margin (%)	5.1	6.9	6.7	6.9
EPS (diluted) cents	0.64	1.23	1.23	1.40

Balance Sheet

(S\$m)	FY06	FY07	FY08F	FY09F
<i>Assets</i>				
Cash and bank balance	4.7	7.5	8.9	12.9
Inventories	20.2	22.0	23.7	24.9
Breeder stocks	1.7	1.4	1.4	1.4
Trade receivables	15.9	17.6	19.0	19.9
Other current assets	1.8	3.5	3.6	3.7
Property, plant & equipment	11.5	12.4	12.1	11.5
Brooder stocks	15.3	21.3	21.9	22.4
Investment in associate	0	0.8	0.9	0.9
Intangible assets	2.1	2.1	2.3	2.2
<i>Liabilities</i>				
Trade payables	6.0	7.3	7.7	8.1
Current bank term loans	6.7	9.4	8.7	8.0
Other current liabilities	10.6	11.5	11.2	10.9
Finance lease	0.1	0.3	0.3	0.3
Non current bank term loans	0.7	1.5	1.5	1.5
Deferred tax	2.4	2.9	2.9	2.9
Shareholders equity	48.7	55.6	61.5	68.2

Statement of cash flows

(S\$m)	FY06	FY07	FY08F	FY09F
Profit for the period	5.3	7.9	8.8	9.9
Operating profit before working capital changes	8.7	11.7	12.7	13.9
Net cash from operating activities	8.6	8.6	5.5	7.5
Net cash from investing activities	(6.6)	(9.6)	(2.8)	(2.3)
Net cash from financing activities	(0.9)	0.8	(1.2)	(1.3)
Net change in cash	1.1	0.0	1.5	3.9
Cash at beginning	4.3	5.4	5.4	6.9
Cash at end	5.4	5.4	6.9	10.8

Source: Company, Phillip Securities Research

Ratings History

Qian Hu Corporation Limited

Rating	Date	Closing price (S\$)	Fair value (S\$)	Remarks
BUY	23 April 2008	0.140	0.20	1QFY08 results
BUY	16 January 2008	0.165	0.20	FY07 results
BUY	23 October 2007	0.165	0.25	Update
BUY	25 July 2007	0.590	0.71	Resume coverage

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	HOLD	Trade within \pm 15% from the current price
	SELL	>15% downside from the current price
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