Qian Hu shares rise after earnings increase

By STEPHANIE RIADY

SHARES of ornamental fish breeder Qian Hu Corporation rose on light volumes yesterday, following its announcement of second-quarter earnings.

The shares closed up 0.4 cent, or 3.96 per cent, at 10.5 cents, with 40,000 shares traded.

At a results briefing on Monday, the company had sought to play down concerns that the problems in Europe would impact its earnings. Said Kenny Yap, Qian Hu’s executive chairman and managing director: “The European markets have had some problems. The countries are not growing...however, if we’re strong enough, we can increase our market share. We will not be adversely affected.”

Currently, 68 per cent of the company’s revenue comes from overseas, while 32 per cent comes from Singapore. Mr Yap said that the company will focus on expanding its regional domestic distribution network.

Qian Hu had reported that net profit rose 5.1 per cent year on year to $998,000 for the quarter ended June 2011. Revenue for the April-June quarter climbed 2.7 per cent to $23.35 million, from the previous corresponding quarter’s $22.73 million.

The Q2 results bring the group’s half-year net profit to $2 million. This is 15.1 per cent lower than the previous corresponding six months’ net profit of $2.36 million, a reason being the rise in general and administrative expenses. Six-month revenue rose 3.3 per cent to $47.5 million as all its business segments registered growth.

Qian Hu’s Q2 revenue growth was primarily bolstered by a 6 per cent improvement in ornamental fish sales to $12 million, which made up 52 per cent of its group revenue. Growth in fish sales was mainly buoyed by healthy demand for its self-bred Dragon fish and higher revenue of other varieties of ornamental fish.

Mr Yap: The company will focus on expanding its regional domestic distribution network

Qian Hu’s plastic products also retained its position as the company’s cash cow as sales continued to achieve a steady increase of 1.8 per cent due to a greater variety of plastic products sold to an expanded customer base. This modest growth was slightly dampened by the rising price of plastic due to increased oil prices.

The growth in sales of fish and plastic products offset dips in Qian Hu’s accessories business, which declined marginally by 1.3 per cent due to a sluggish European economy, which saw reduced demand of aquarium accessories in its OEM segment, thereby causing the operating profit of the accessories segment to decline by 27.3 per cent.

Mr Yap believes that the company’s growth in the second half will depend on its ability to increase its ornamental fish exports and sustained improvements in its sales of Dragon Fish.

“We will continue to build a resilient balance sheet, and remain steadfast in our efforts to generate stronger cash flow from operations with an internal target of turning half the group’s profit into cash,” he said.

Second-quarter earnings per share (EPS) were 0.22 cent, up from 0.21 cent, while first-half EPS came to 0.44 cent, down from 0.54 cent.

Cash and cash equivalents at end-June was $10.19 million, up from $8.8 million a year earlier. No interim dividend was proposed.