

SUNNY SIDE UP

Start your day the Kim Eng way

What's cooking

Renewable Energy Asia (REAG SP, \$0.255, TP \$0.35, BUY) – REA recently said that it is disposing of its fastening business for \$7.6m. We believe this move is a step in the right direction and completion is only a matter of time. The sale will allow REA to consolidate its resources in the core renewable energy business. We reiterate our BUY recommendation with a new target price of \$0.35, pegged at 11x FY Mar12F PER.

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Hot stock

Qian Hu (QIAN SP, \$0.125, NOT RATED) – Qian Hu recently announced weak results, with a sharp 65% drop in 4Q10 net profit, capping off a disappointing year. While one-off factors have contributed to this decline, we caution that the ornamental fish industry is vulnerable to changing tastes and trends, and a potential drop in demand from such changes remains. With its thin margins, Qian Hu's valuations are not compelling at this time.



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Top news in bite-sized pieces

OVERNIGHT...

▶ **US markets were closed for Martin Luther King Jr's birthday.** However, investors will have to deal with Apple tonight, as the company will announce Dec quarter results, while CEO Steve Jobs has announced that he is taking medical leave to deal with his latest health struggles.

LOCAL...

▶ **SIA's Dec 2010 load factor fell 3.6pp to 80.7%.** While part of the fall could be due to capacity increase of 4.9% YoY, the actual number of passengers also fell 1% to 1.5m due to weather disruptions and lower promotional fares. However, cargo load factor was stable at 63.5%.

Today's market forecast

18 January 2011

OVERCAST

Last close: 3,238.63 (-7.33)
Forecast high: 3,263
Forecast low: 3,219



STI TECHNICALS

The STI managed to hold above its 20-day EMA which appears to be a good support level. A break below 3,220 would drag the index lower towards the next support at 3,195 (50-day EMA). 14-day RSI is above neutral. Resistance at 3,280.

Overnight market snapshots

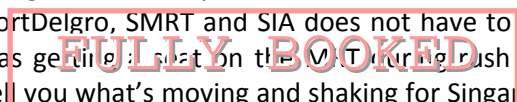
Dow Jones	11,787.38	+55.5
Nasdaq	2,755.30	+20.0
FTSE 100	5,985.70	-16.4
CAC 40	3,975.41	-7.9
DAX Index	7,078.06	+2.4

Platinum privileges...

▶ **Walk the Talk: Mind the Gap – Riding the Ups and Downs of Singapore Public Transport (28 Jan 2011):** Investing in transportation stocks such as ComfortDelgro, SMRT and SIA does not have to be as hard as getting stuck on the MRT during rush hour. We tell you what's moving and shaking for Singapore's world-class public transportation system in the next few years, and point you in the right direction for a steady, comfortable ride. 7-8pm. Kim Eng Investor Centre, 23 Serangoon Central, #B2-39 nex.

▶ **Webcast: To health and wealth in 2011!** Steady at the helm, ParkwayLife REIT (PREIT) remains focused on delivering high distribution payout to unitholders. In this video, we bring you on location scenes of some of PREIT's nursing homes for the aged in Japan, where a huge "silver hair" market beckons. Also catch CEO Yong Yean Chau of Parkway Trust Management sharing his philosophy of harnessing the potential in owning assets in the healthcare industry.

Link: <http://www.youtube.com/user/kimengvideo>



MORE TO DIGEST

Singapore Airlines (SIA SP) – December loads hold steady

Previous Day Closing price: \$15.28

Recommendation: BUY (maintained)

Target price: \$18.90 (maintained)

SIA's December passenger load factors dipped 3.6 percentage points YoY but still remained healthy at 80.7. Cargo continued to outperform expectations, with load factor holding steady at 63.5. While overall loads seemed to have flattened, SIA's earnings should see a boost from higher ticker prices. The company reports 3Q11 numbers on January 28th. We maintain our Buy recommendation to target price of \$18.90.

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Year End Mar 31	2009	2010	2011F	2012F	2013F
Sales (S\$ m)	15,996.3	12,707.3	15,275.7	16,039.7	17,014.2
Pre-tax (S\$ m)	1,312.5	285.5	2,020.4	2,535.8	2,722.9
Net profit (S\$ m)	1,175.4	215.8	1,631.3	2,051.4	2,202.9
EPS (S cts)	99.1	18.2	136.7	171.9	184.6
EPS growth (%)	-42.6	-81.6	651.7	25.8	7.4
PER (x)	15.4	84.0	11.2	8.9	8.3
EV/EBITDA (x)	5.9	8.3	4.4	3.7	3.4
Yield (%)	2.6	0.8	4.6	6.5	6.5

Singapore Exchange (SGX SP) – 2Q11 results steady

SGX announced a steady set of 2Q11 results which reflected the increased market activities in 2010. Operating revenue was up 14% yoy (+8% qoq) from S\$150.7m to S\$172.2. Excluding ASX-SGX transaction cost, net profit was up 14% yoy and 10% qoq. Base dividend remains unchanged at SG\$0.04/ share.

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Event

Renewable Energy Asia (REA) recently said that it is disposing of its fastening business for \$7.6m. We believe this move is a step in the right direction and completion is only a matter of time. The sale will allow REA to consolidate its resources in the core renewable energy business. We reiterate our BUY recommendation with a new target price of \$0.35, pegged at 11x FY Mar12F PER.

Our View

- ▶ The total consideration for the proposed disposal amounts to about \$7.6m. This represents a discount of 12.5% to the NTA of its Fastening Companies as at end-March 2010. Given a possible loss of RMB5.1m that will be charged to the income statement, we have tweaked our FY Mar11 earnings estimate by 19% to RMB39.5m.
- ▶ The disposal is subject to approval by the shareholders. If they give the nod, the deal will be sealed and REA can then focus on its renewable energy segment while realising its investment in the non-core fastening business.

The sale proceeds will also come in handy as the cash can be deployed to develop its wind farm projects.

- ▶ Separately, REA has secured a concession to develop a 49.5MW wind farm in Binhai New Area, China. Land and infrastructure resources for the project will be provided by the Jiangsu provincial government. REA, which owns a 49% stake, and Datang Renewable, its JV partner, will be responsible for the construction and subsequent maintenance of the wind farm. The total capex is estimated to be RMB500m, of which 80% will be funded through bank borrowings.

Action & Recommendation

Datang Renewable's lackluster share price performance since its debut on the Hong Kong stock exchange on 17 December 2010 suggests waning investor appetite for wind power producers. In view of this, we lower our target multiple to 11x FY Mar12F PER and trim our target price to \$0.35 from \$0.40. With 37% upside potential, we maintain our BUY rating.

Summary Financials

Year End Mar 31	2009	2010	2011F	2012F	2013F
Sales (RMB m)	110.9	99.4	505.0	963.8	1,369.7
Pre-tax (RMB m)	-10.0	-101.6	52.6	120.6	201.3
Net profit (RMB m)	-10.5	-101.4	39.5	99.5	151.0
EPS (fen)	-2.0	-19.2	6.9	16.0	24.3
EPS growth (%)	n.m	n.m	n.m	91.3	51.1
PER (x)	n.m	n.m	18.6	8.1	5.3
EV/EBITDA (x)	45.7	4.6	11.4	7.0	4.3
Yield (%)	0.0	0.0	0.0	0.0	0.0

Up-to-date in 60 seconds

Background: Qian Hu imports, breeds and exports ornamental fish from countries in Southeast Asia, South America and Africa and exports them directly to more than 80 countries. It also distributes ornamental fish and pet accessories for more than 20 manufacturers to local retailers and to wholesalers in Asia. Qian Hu has 10 subsidiaries and a strong presence in Singapore, Malaysia, Thailand, China and India.

▶ **Recent Developments:** On 13th January, Qian Hu announced weak results, with a sharp 65% drop in 4Q10 net profit, capping off a disappointing year.

Key ratios...

Price-to-earnings: 12.5x

Price-to-NTA: 0.9x

Dividend per share / yield: S\$0.005 /4%

Net cash/(debt) per share: nm

Net cash/(debt) as % of market cap: nm

Source: Bloomberg, based on historical data

Everything else...

Share price	0.125
Issued shares (m)	454.1
Market cap (S\$m)	59.0
Free float (%)	53.7%
Recent fundraising	na
Financial YE	31 Dec
Major shareholders	Qian Hu Holdings (24%) Yap family – (22.22%)
YTD change	8.33%
52-wk price range	0.115-0.165

Source: Company

Our view

▶ **Not a great year** – With this weak showing in 4Q10, Qian Hu's full year net profit dropped 35.7% to S\$4.2m, while revenues declined by a less severe 3.6%. Margins have fallen to 4.6%, from 7% previously. Management has attributed this poor result on several factors, including weather conditions affecting fish breeding, as well as transport interruptions from the volcanic ash and heavy snowfall in Europe. Underlying European demand was also particularly weak.

▶ **Takes stake in Indonesian company** - Qian Hu also announced the signing of an agreement with Joe Aquatic Indonesia to invest S\$0.6m for a 55% share of an Indonesian subsidiary. The company will primarily focus on the breeding of ornamental fish, and allows the broader group to tap into Indonesia's diversity of ornamental fish resources.

▶ **Valuations not compelling** - As one of the market leaders in ornamental fish, management believes that the business model will be resilient. However, we caution that the ornamental fish industry is open, to a certain degree, to tastes and trends, and the risk of a potential drop in demand from such changes remains. As a result of these weak numbers, Qian Hu's FY10 PER of 12.5x is at the high end of its historical trading range. On a price to book basis, it is trading slightly below its historical average. Dividend yield is decent at 3.8%.

Summary Financials

	2006	2007	2008	2009	2010
Sales (S\$m)	76.1	91.7	93.1	94.6	91.2
Pre-tax (S\$m)	5.3	7.9	9.2	9.5	5.3
Net profit (S\$m)	2.6	4.9	6.0	6.2	4.6
Net profit margin (%)	3.4	5.3	6.4	6.6	5.0
EPS (cts)	0.6	1.0	1.3	1.7	1.0
EPS growth (%)	na	67.0	30.0	30.0	-41.0
PER (x)	20.8	12.5	9.6	7.4	12.5
Dividend yield (%)	4.8	68.3	1.6	4.0	3.8

Results Calendar

MONDAY		TUESDAY		WEDNESDAY		THURSDAY		FRIDAY	
17-Jan-11		18-Jan-11		19-Jan-11		20-Jan-11		21-Jan-11	
<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>
Ascendas REIT	3Q	K-Green Trust	FY10	First Ship Lease Trust	FY10	CapitaMall Trust	FY10	Ascott Residence Trust	FY10
				M1	FY10	Keppel T&T	FY10	First REIT	FY10
						K-REIT Asia	FY10	Suntec REIT	FY10
						Mapletree Logistics Trust	FY10		
24-Jan-11		25-Jan-11		26-Jan-11		27-Jan-11		28-Jan-11	
<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>
Keppel Land	FY10	AIMS AMP Capital Industrial REIT	3Q	Ascendas India Trust	FY10	Cache Logistics Trust	FY10	Biosensors International	3Q
		Keppel Corp	FY10	CapitaRetail China Trust	FY10			Singapore Airlines	3Q
		Mapletree Industrial Trust	3Q	CDL Hospitality REIT	FY10			SMRT	3Q
				Starhill Global REIT	FY10			Tiger Airways	3Q
31-Jan-11		01-Feb-11		02-Feb-11		03-Feb-11		04-Feb-11	
<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>
		Tuan Sing Holdings	FY10			CHINESE NEW YEAR		CHINESE NEW YEAR	
07-Feb-11		08-Feb-11		09-Feb-11		10-Feb-11		11-Feb-11	
<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>	<u>Company</u>	<u>Period</u>
								StarHub	FY10

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