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Singapore Consumer

Reuters QIAN.SI
Bloomberg QIAN.SP

Priced on 15 January 2007
STI @ 3,035.6

Market cap US\$27m
Shares in issue 128.2m
Free float (est.) 26.6%

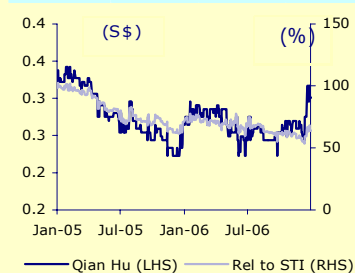
3M average daily volume
(US\$0.0m)

12M high/low
S\$0.32/0.23

Major shareholders
Yap family 63.4%

Stock performance (%)

	1M	3M	12M
Absolute	18.5	23.1	18.5
Relative	14.4	8.1	(6.1)
Abs (US\$)	18.5	26.4	25.3



Source: Bloomberg

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Renewed optimism

Qian Hu reported a sterling set of results for FY06, largely driven on the back on strong operational growth in Singapore as well as the export market in Thailand. Revenues and net profit increased YoY, providing renewed optimism for the Group's prospects ahead. Going forward, Qian Hu intends to increase its exports of its ornamental fish and accessories businesses, with other expansion plans like increasing retail chain stores in the pipeline. We think Qian Hu is fairly valued at 1x PB i.e. S\$0.35.

FY06 results

FY06 results that were released were impressive, on a YoY, revenues and net profit were up 14.9% and 28.9% respectively. Topline growth was heavily driven by strong growth in the fish and plastics segment. Profitability increased due to increase in sales of self-bred Dragon Fish which yielded better margins, and increase in export sales of both ornamental fish and accessories. The retail chain stores throughout the region also posted improvements in profitability.

FY07 strategy

Looking ahead, Qian Hu has various plans and strategies to further grow the business. First and foremost, Qian Hu has plans to expand distribution in countries with existing networks, as well as increase the export of "Ocean Free" products to various countries beyond those with distribution networks. Qian Hu will also focus strongly on the sale of Dragon Fish, given that it is regarded as a premium brand, and demand in China, Taiwan and Japan remains very strong.

Increasing the retail chain stores

Qian Hu is looking to add more stores on top of its existing 12 retail stores, mainly in Malaysia. In addition, the Group will also increase its distribution points in China for Dragon Fish and other accessories to more than 100. Previously, we have highlighted concerns over the expansion pace as we felt that it was too aggressive. The recent set of plans seems more realistic and would not overstrain the balance sheet and increase structural risks.

Valuations

With FY06 posting a full recovery, we see continued demand going into FY07, and project a higher profitability for the next 2 years ahead. Our FV of Qian Hu would be 1x PB i.e. S\$0.35.

Financials

Year to 31 Dec	04A	05A	06CL	07CL	08CL
Revenue (S\$m)	65.5	66.3	76.1	81.8	85.9
Net profit (S\$m)	1.7	2.1	2.6	3.1	3.3
EPS (S¢)	1.3	1.6	2.0	2.4	2.6
EPS (% YoY)	(76.3)	20.4	27.6	17.2	7.5
PEX (@S\$0.32)	24.2	20.1	15.8	13.4	12.5
Dividend yield (%)	-	1.3	1.5	1.7	1.8
FCF yield (%)	(13.7)	1.1	(2.0)	4.3	4.5
ROAE (%)	4.50	5.20	6.30	7.00	7.10
Price/book (x)	1.1	1.0	1.0	0.9	0.9
Net gearing (%)	14.34	11.88	14.04	11.13	8.33

Note: This company is not under formal CLSA coverage. Source: Company, CLSA Asia-Pacific Markets

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Note: In the interests of timeliness, this document was not edited.

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