

Qian Hu Corporation Limited

MAIN ACTIVITIES

Qian Hu is an integrated "one-stop" ornamental fish service provider ranging from breeding of Dragon Fish, farming, importing, exporting and distributing of ornamental fish. It also manufactures aquarium and pet accessories and distributes them to local and overseas customers.

ISSUE STATISTICS

No of shares: 128.9m
Listing Bourse: SGX- Mainboard
Listing Date: Nov 8 2000

FINANCIAL SUMMARY

Share Price S\$0.175

S\$ m (Y/E Dec)	FY04	FY05	FY06
Turnover	65.5	66.3	76.1
Gross profit	22.9	23.7	27.0
Net profit	1.6	2.0	2.6
Dil EPS (Scts)	1.3	1.6	2.0
EPS Growth (%)	-81.0	24.4	28.5
Div / Share (Scts)	0.6	0.5	0.6
ROE (%)	4.4	5.2	6.3
Gearing (%)	28.0	26.9	30.2
PE Ratio	26.0	14.6	13.8
Current ratio (x)	2.1	2.2	2.0

Source: Bloomberg, SIAS Research

Income Statement: In FY06, turnover increased 14.9% to S\$76.1m while net profit grew about 29% to S\$2.6m. The increase is attributed to strong growth in operations in Singapore and Thailand, which saw more ornamental fish and accessories being exported to more countries around the world.

Balance Sheet: Gearing rose 12.3% to 30.2% in FY06 while current ratio is 2.0.

Cash flow: In FY06, cash flow from operations rose to S\$8.6m from S\$6.7m.

INDUSTRY OUTLOOK

Global industry: The global fish, accessories and fish feed industry is estimated to be worth more than US\$14b. Since 1985, its international trade has been growing at an average rate of 14% a year. Growing at a rate of 8% annually, world trade in ornamental fish exceeds US\$4.5b.

68% of this market is in Asia. According to AVA, Singapore's ornamental fish industry's export value in FY06 was S\$92.6m, an increase of 6.47%.

Export of ornamental fish to UK and US accounted for about a quarter of the overall export revenue, making them Singapore's leading importers. Countries from the EU are also among the top ten importers.

INVESTMENT MERITS

Geographical Diversification: Qian Hu exports 1,000 species of fish to 70 countries and distributes more than 5,000 types of aquarium and pet accessories to over 20 countries. This wide geographical reach will cushion any negative impact from a particular country.

Growth Potential: Qian Hu has potential to grow 30% CAGR for 2007 and 2008. It has a clear growth strategy. It plans to grow its:

- (1) Export of ornamental fish and accessories;
- (2) Distribution of ornamental fish and accessories;
- (3) Manufacturing of aquarium and pet accessories;
- (4) Breeding of Dragon fish

KEY RISK

Fish epidemics: An outbreak of fish epidemics will hurt the company in terms of inventory write-down. However, diseases usually do not cross between species.