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## Singapore Consumer

Reuters QIAN.SI  
Bloomberg QIAN SP

Priced on 19 April 2004  
STI @ 1,844.7

**12M price target** S\$0.69

**±% up/downside** +6%

Target set on 7 Mar 04

**Market cap** US\$50m

**Shares in issue** 127.5m

**Free float (est.)** 31.0%

**3M average daily volume**

S\$0.2m (US\$0.1m)

**12M high/low**

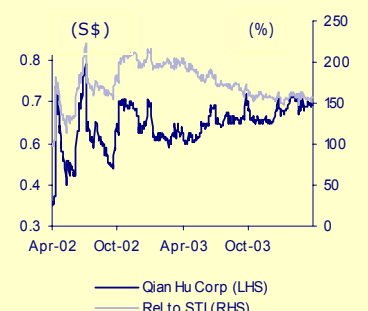
S\$0.76/0.55

### Major shareholder

Qian Hu Holdings 28.4%  
Yap family 40.6%

### Stock performance (%)

	1M	3M	12M
Absolute	(4.4)	2.1	10.7
Relative	(4.7)	2.3	(23.0)
Abs (US\$)	(3.6)	4.0	16.7



Source: Bloomberg

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## 1Q04 Results Review

### Disappointing 1Q04

- Revenue was up 2% YoY. Net profit was down 9% YoY and declined 30% QoQ.
- Ornamental fish delivered 14% growth in sales, and posed a 60% jump in profit due to contribution from Kim Kang – Malaysia Dragon fish breeder acquired in 2H03. Plastics division figures are flat.
- Accessories division reported 7% YoY drop in sales, 53% YoY sharp fall in profit, met only 10% of our full year forecast.

### Erosion in Aqua-Accessories

- Guangzhou factory reported loss in Jan and Feb due to disruption in operation. In Dec 2003, factory moved to outskirts of Guangzhou, HuaDu - 20km north to the city. Many workers have resigned to opt for a city job. The factory was forced to recruit over 80 new staffs, 25% of its work force. This delayed the production schedule affecting supply of accessories for exports, and increased operation cost. Management confirmed that factory was back to profitability in March.
- Accessories sales in Singapore continue to fall by 8% QoQ, and 20% YoY, while there is a slight increase in overseas market. Opt profit margin shrank from 17% in 1Q03 to 8%.

### Rising regional demand on fish

- Strong ornamental fish exports from Singapore and overseas subsidiaries offset the drop in the local market. Overseas sale grew from 3.2m to 5.1m, while Singapore sales contracted from 3.1m to 2.0m.
- Malaysia Kim Kang Aquaculture contributed 20% of 1Q04 overseas sales.

### Retail rollout on track

- First 'Qian Hu - Pet family' retail store was set up in March, and the 2nd store in Shanghai will open this April.
- By June, we expect to see 8 retail outlets across the region. Budgeted initiate cash-flow remains 200k per store.

### Limited upside, reiterate U/PF

- Shares have so far underperformed the market by 23% over last 12 month.
- Based on 9x forward PE target, we reiterate end-2004 fair price at S\$0.69.

### Financials

Year to 31 Dec	02A	03A	04CL	05CL	06CL
Revenue (S\$m)	62.7	67.7	81.8	96.1	119.4
Net profit (S\$m)	6.6	7.0	8.6	9.8	16.1
EPS (S¢)	5.5	5.6	6.7	7.7	12.6
CLSA/consensus(1) (%)	-	-	97.0	88.0	-
EPS (% YoY)	69.0	1.4	20.2	14.5	63.5
PEX (@S\$0.66)	11.9	11.7	9.7	8.5	5.2
Dividend yield (%)	1.2	0.6	0.7	0.8	1.4
ROAE (%)	29.0	21.7	21.1	19.9	26.0
Price/book (x)	2.83	2.27	1.87	1.56	1.22
Net gearing (%)	(13.5)	(0.3)	(7.3)	(8.8)	(17.8)
EV/Op Ebitda (x)	8.67	8.21	6.35	5.47	3.39

Source: CLSA Asia-Pacific Markets

Figure 1

<b>Financial Performance</b>					
<b>Year End 31 Dec (S\$m)</b>	<b>1Q04A</b>	<b>1Q03A</b>	<b>YoY(%)</b>	<b>4Q03A</b>	<b>QoQ(%)</b>
<b>Revenue</b>	<b>16.2</b>	<b>15.9</b>	<b>2</b>	<b>16.7</b>	<b>(3)</b>
Cost of Revenue	(10.6)	(10.1)	6	(10.1)	6
<b>Gross Profit</b>	<b>5.6</b>	<b>5.9</b>	<b>(4)</b>	<b>6.6</b>	<b>(15)</b>
Other Operating Income	0.0	0.2	(84)	0.1	(80)
Selling & distribution expenses	(0.5)	(0.6)	(27)	(0.6)	(16)
General & admin	(3.6)	(3.6)	(1)	(3.3)	9
Interest expenses	(0.1)	(0.0)	63	(0.0)	76
Opt profit bf taxation	1.5	1.7	(11)	2.9	(47)
Share of results of associates	0.0	0.0		0.0	
<b>Profit Before Taxation</b>	<b>1.5</b>	<b>1.7</b>	<b>(11)</b>	<b>2.9</b>	<b>(47)</b>
Taxation	(0.2)	(0.4)	(38)	(0.8)	(69)
<b>Net profit after Tax</b>	<b>1.3</b>	<b>1.3</b>	<b>(4)</b>	<b>2.1</b>	<b>(39)</b>
Minority Interests	(0.1)	(0.0)	>100	(0.4)	(80)
<b>Net profit for the year</b>	<b>1.2</b>	<b>1.3</b>	<b>(9)</b>	<b>1.7</b>	<b>(30)</b>
Gross Margin %	35	37		40	
Net Margin %	7	8		10	

Source: CLSA Asia-Pacific Markets

Figure 2

<b>Segment Results</b>					
<b>Breakdown</b>	<b>1Q04 A</b>	<b>1Q03A</b>	<b>YoY %</b>	<b>2004CL</b>	<b>% of 04CL</b>
<b>Revenue</b>					
Ornamental fish	7.2	6.3	14	33.5	21
<b>Accessories</b>	<b>7.5</b>	<b>8.0</b>	<b>(7)</b>	<b>42.1</b>	<b>18</b>
Plastics and others	1.6	1.6	(1)	5.3	31
<b>Operating Profit</b>					
Ornamental fish	1.0	0.6	60	7.3	13
<b>Accessories</b>	<b>0.7</b>	<b>1.4</b>	<b>(53)</b>	<b>6.3</b>	<b>10</b>
Plastics and others	0.1	0.1	73	0.2	52

Source: CLSA Asia-Pacific Markets

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

**Key to investment rankings:** **BUY** = Expected to outperform the local market by >10%; **O-PF** = outperform by 0-10%; **U-PF** = underperform by 0-10%; **SELL** = underperform by >10%. Performance is defined as 12-month total return (including dividends).

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