

Recommendation:

HOLD

Previous call: Buy

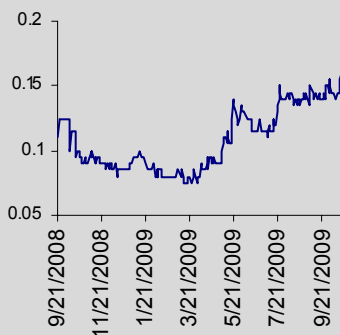
Price

Previous close **S\$0.17**
Fair value **S\$0.17**
Share price return **0.0%**

Share Statistics

Shares 421.39m
Market Cap. \$71.64m
Trailing PER 11.6x
Forward PER 12.0x
P/BV 1.06x
52-week Price Range 0.075-0.17
52-week PER Range 5.1x-11.2x
Listing Bourse SGX-Main Board
Major Shareholder Qianhu Holdings 25.87%

Price Chart



Company Profile

Qian Hu Corporation Limited imports, exports and distributes ornamental fish and aquarium and pet accessories. The company also manufactures and distributes plastic bags for ornamental fish, food and electronics industries.

Analyst

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Qian Hu Corporation Limited 3QFY09 Results

20 October 2009

Qian Hu Corp Ltd (QH) continues to report stable financial results for 3QFY09. Revenue for 3QFY09 is \$23.9 million (+1.1% yoy), net profit is \$1.7 million (+9.8% yoy) and EPS for the quarter is 0.4 cents.

Product segments analysis. There is no significant change in revenue contribution from the three business segments. Since 1Q09, revenue contribution has been consistent. Ornamental fish segment in 2009 benefits from the new dragon fish breeding facilities that were completed in end 2008 at the Malaysia farm, which provides a reliable supply. Accessories business continues to expand its distribution network. Plastics segment however recorded lower revenue compared to 2008 due to lower selling prices.

Exhibit 1. Revenue breakdown by S\$

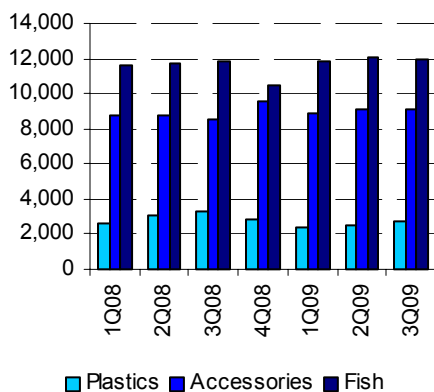
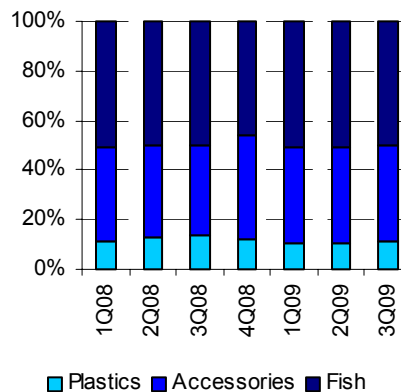


Exhibit 2. Revenue breakdown by %



Source: Company, Phillip Securities Research

Profit margins. Gross profit margin and net profit margin were 34.4% and 7.9% in 3Q09 respectively. From exhibit 3, it can be observed that both profit margin trends are generally flat. As mentioned earlier, QH has started selling self-bred dragon fish from its Malaysia farm, profitability margin of Fish segment has shown an improvement from 1Q09 onwards. We expect this to improve further from FY2010 as the breeding facilities in the Singapore farm begins to contribute positively. On the other hand Plastics segment recorded lower profitability margin due to the lower selling prices.

Exhibit 3. Profit margins

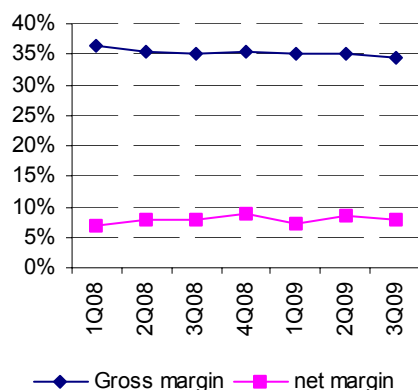
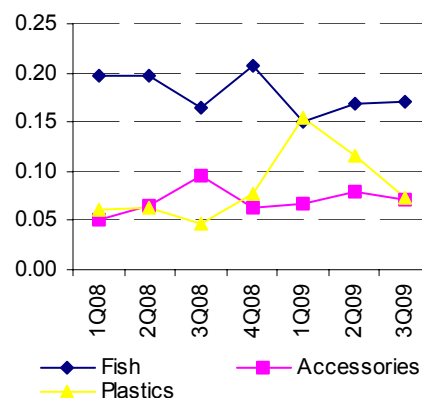


Exhibit 4. Profitability margins



Source: Company, Phillip Securities Research

Geographical analysis. Growth came from Singapore and Others region, which growth rates of 12% and 8% respectively. Europe and Other Asian Countries contracted 8% and 3% each.

Exhibit 5. Geographical breakdown

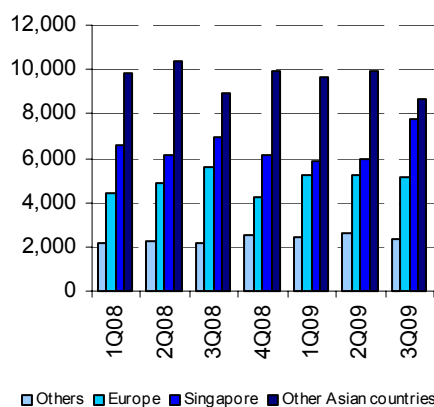
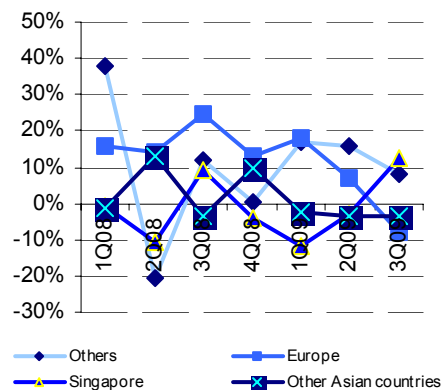


Exhibit 6. YoY growth



Source: Company, Phillip Securities Research

Future plans. The long-term plan for QH is to increase the volume of export of both the ornamental fish and accessories segment into untapped market and also to achieve equal percentage contribution from both business segments. QH has currently invested in two overseas venture and we believe QH will continue to make such strategic investments to break into the overseas market.

Valuation and recommendation. We continue to like the recession resilient business of QH. We maintain our DCF derived fair value of \$0.17. As share price has converged with our fair value, we lower our recommendation from Buy to Hold.

Key Financial Data (Financial Year Ended 31 Dec)	3Q08	3Q09	%ch	FY08	FY09F	FY10F
Revenue (S\$m)	23.6	23.9	1.11%	93.1	95.7	98.6
EBITDA (S\$m)	3.2	3.1	-4.56%	12.5	12.7	13.5
EBIT (S\$m)	2.6	2.4	-6.98%	10.1	10.0	10.3
Net profit attributable to shareholder (S\$m)	1.5	1.7	9.78%	6.0	5.9	6.2
Gross profit margin (%)	35.09%	34.42%	-0.66%	35.54%	34.15%	34.37%
Net profit margin (%)	8.01%	7.87%	-0.15%	7.95%	7.74%	7.82%
Basic EPS (cents)	0.37	0.40	8.11%	1.46	1.41	1.45
Diluted EPS (cents)	0.35	0.37	5.71%	1.36	1.41	1.47
NAV per share (cents)	14.64	15.94	8.88%	15.11	16.51	18.09

Source: Company, Phillip Securities Research estimates

Financials

Profit model (S\$mil)	2008	2009F	2010F	2011F
Revenue	93.1	95.7	98.6	101.5
COGS	(60.0)	(63.0)	(64.7)	(66.2)
Gross Profit	33.1	32.7	33.9	35.3
Other operating income	0.2	0.2	0.2	0.2
Selling & Distribution expenses	(2.7)	(2.7)	(2.8)	(2.9)
General & administrative	(20.4)	(20.2)	(20.9)	(21.5)
Financial income	0.0	0.0	0.0	0.0
Financial expenses	(0.9)	(0.8)	(0.8)	(0.7)
Profit before tax	9.2	9.3	9.6	10.4
share of profit/(loss) from associates	(0.0)	0.0	0.1	0.1
tax expenses	(1.8)	(1.9)	(2.0)	(2.1)
net profit	7.4	7.4	7.7	8.3
Attributable to shareholders	6.0	5.9	6.2	6.7
Attributable to minority interest	1.4	1.5	1.5	1.7

EPS basic (Cents)	1.46	1.41	1.45	1.54
EPS diluted (Cents)	1.36	1.41	1.47	1.58

Growth & margins (%)	2008	2009F	2010F	2011F
Revenue growth	1.5%	2.9%	3.0%	2.9%
Gross profit growth	1.5%	2.9%	3.0%	2.9%
Net profit growth	22.1%	-1.9%	4.0%	7.9%
Gross profit margin	35.5%	34.2%	34.4%	34.8%
Net Profit margins	6.5%	6.2%	6.3%	6.6%
ROA	8.2%	7.9%	7.6%	7.5%
ROE	9.6%	8.5%	8.0%	7.8%

Cash flow statement (S\$mil)	2008	2009F	2010F	2011F
Profit before tax	9.2	9.3	9.7	10.5
adj for				
Depreciation and amortisation	2.4	2.6	3.2	2.7
Others	(0.0)	0.0	0.0	0.0
Share of profit of associates	0.0	(0.0)	(0.1)	(0.1)
Interest income	(0.0)	(0.0)	(0.0)	(0.0)
Finance expenses	0.9	0.8	0.8	0.7
Operating cash flow before WC changes	12.5	12.7	13.5	13.8
WC changes	(2.6)	(5.4)	(2.9)	(3.1)
Net cash flow from operating activities	9.8	7.2	10.6	10.6
Capex	(10.9)	(7.0)	(4.3)	(4.9)
Interest received	0.0	0.0	0.0	0.0
Others	0.1	0.0	0.0	0.0
Net cash flow from investing activities	(10.8)	(7.0)	(4.3)	(4.8)
Net increase/(decrease) in bank term loans	3.5	(1.2)	(0.3)	(0.3)
Net increase/(decrease) in finance lease	(0.3)	(0.2)	(0.4)	0.0
payment of dividends	0.0	(0.8)	0.0	0.0
Interest paid	(0.9)	(0.8)	(0.8)	(0.7)
Others	(0.1)	0.2	0.0	0.0
Net cash flow from financing activities	2.2	(2.7)	(1.4)	(1.0)
Net Increase/decrease in cash	1.3	(2.5)	4.9	4.8

Balance sheet (S\$mil)	2008	2009F	2010F	2011F
PPE	14.6	13.6	12.0	11.2
Brooder stocks	26.7	31.8	34.5	37.5
investment in associate	0.8	1.2	1.3	1.4
Intangibles assets	2.2	2.2	2.2	2.2
total non current assets	44.4	48.8	50.0	52.3
Current assets				
Inventories	22.4	23.0	23.7	24.4
Breeder stocks	1.6	1.6	1.6	1.6
Trade and other receivables	23.3	24.0	24.7	25.4
Due from fixed deposits	0.0	0.0	0.0	0.0
Due from associate	0.5	0.5	0.5	0.5
Cash and bank balances	8.3	5.8	10.7	15.5
total current assets	56.1	54.9	61.3	67.4
Total assets	100.5	103.7	111.3	119.7
Trade and other payables	18.5	19.3	19.7	20.0
Due to minority shareholders	0.1	0.1	0.1	0.1
Finance lease obligations	0.2	0.4	0.0	0.0
Bank term loans	10.3	7.4	7.4	7.4
Provision for taxation	1.1	1.0	1.1	1.2
Bank overdraft	1.6	1.6	1.6	1.6
total current liabilities	31.8	29.7	29.9	30.3
Finance lease obligations	0.4	0.0	0.0	0.0
Bank term loan	2.1	0.9	0.6	0.3
Deferred tax	3.6	3.6	3.6	3.6
total non current liabilities	6.0	4.5	4.2	3.9
Total liabilities	37.8	34.2	34.1	34.2
Total equity	62.7	69.5	77.2	85.5
Total liabilities and equity	100.5	103.7	111.3	119.7
NAV/shr	0.15	0.17	0.18	0.20

Key Ratios	2008	2009F	2010F	2011F
Gross Gearing	0.18	0.14	0.12	0.11
Net Gearing	0.10	0.08	0.03	-0.02
Interest Coverage	11.52	12.88	13.75	15.59
Debt-equity ratio	0.60	0.49	0.44	0.40
Current ratio	1.77	1.85	2.05	2.23
Cash ratio	0.26	0.20	0.36	0.51
Receivables turnover	1.21	1.14	1.14	1.14
Inventory turnover	2.68	2.74	2.73	2.71
Payables turnover	1.81	1.67	1.65	1.65

Valuation	2008	2009F	2010F	2011F
P/E basic (X)	11.6	12.0	11.6	11.0
P/B (X)	1.06	1.00	0.94	0.85

Source: Company, Phillip Securities Research

Ratings History

Qian Hu Corporation Limited

Rating	Date	Closing price (S\$)	Fair value (S\$)	Remarks
HOLD	20 October 2009	0.170	0.17	3QFY09 results
BUY	22 July 2009	0.135	0.17	1HFY09 results
BUY	14 January 2009	0.095	0.15	FY08 results
BUY	5 November 2008	0.095	0.15	3QFY08 results
BUY	23 April 2008	0.140	0.20	1QFY08 results
BUY	16 January 2008	0.165	0.20	FY07 results
BUY	23 October 2007	0.165	0.25	Update
BUY	25 July 2007	0.590	0.71	Resume coverage

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	HOLD	Trade within \pm 15% from the current price
	SELL	>15% downside from the current price
	We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation	

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