

## Guan Chong

Recommendation: **NOT RANKED**

Stock Code: 5102

Bloomberg: GUAN MK

Price: MYR0.85

12-Month Target Price: N/A

Date: October 30, 2007

Board: Main

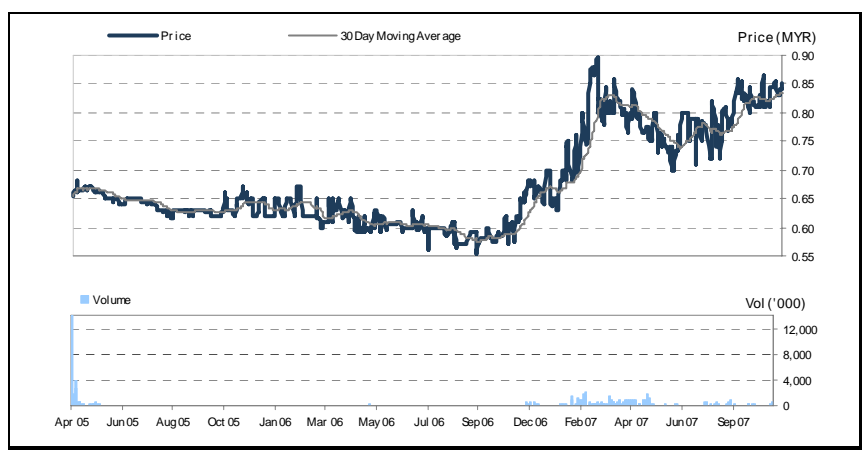
Sector: Consumer Products

GICS: Consumer Staples/Packaged Foods &amp; Meats

Market Value - Total: MYR204.0 mln

**Summary:** Guan Chong (GCB) is principally involved in the manufacturing and trading of cocoa-derived food ingredients. It operates out of Malaysia, but derives almost all of its revenue from exports. GCB was listed on the Main Board of Bursa Malaysia in April 2005.

Analyst: Alison Seng



## Recent Developments

## Recommendation &amp; Investment Risks

- Pending the renewal of the CBRS research scheme, and confirmation that GCB will be participating in the new scheme, we suspend coverage of the stock until further notice. Our last recommendation was Hold. Our last 12-month target price was MYR0.85.
- As developments in GCB may impact the company's fundamental outlook and valuation during the suspension of coverage, please note that current earnings may become stale and should not be seen to be representative of our view.

## Key Stock Statistics

FY Dec.	2006	2007E
Reported EPS (sen)	7.3	7.2
PER (x)	11.6	11.8
Dividend/Share (sen)	4.3	4.3
NTA/Share (MYR)	0.37	0.40
Book Value/Share (MYR)	0.37	0.40
No. of Outstanding Shares (mln)	240.0	
52-week Share Price Range (MYR)	0.57 - 0.90	
Major Shareholders:	%	
Guan Chong Resources Sdn Bhd	52.0	
Misi Galakan Sdn Bhd	10.5	
Lembaga Tabung Angkatan Tentera	8.3	

## Per Share Data

FY Dec.	2004	2005	2006	2007E
Book Value (MYR)	0.28	0.33	0.37	0.40
Cash Flow (sen)	14.9	10.0	9.3	9.5
Reported Earnings (sen)	10.9	7.6	7.3	7.2
Dividend (sen)	NA	4.3	4.3	4.3
Payout Ratio (%)	NA	61.4	58.8	55.6
PER (x)	7.8	11.2	11.6	11.8
P/Cash Flow (x)	5.7	8.5	9.1	9.0
P/Book Value (x)	3.1	2.5	2.3	2.1
Dividend Yield (%)	NA	5.1	5.1	5.1
ROE (%)	NA	29.3	20.8	18.9
Net Gearing (%)	248.0	85.5	114.6	104.8

\* Proforma for 2004

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**Profit & Loss**

FY Dec. / MYR mln	2005	2006	2007E	2008E
Reported Revenue	412.7	379.8	421.6	452.3
Reported Operating Profit	23.6	24.6	25.2	29.6
Depreciation & Amortization	-5.3	-4.7	-5.5	-6.1
Net Interest Income / (Expense)	-3.8	-4.7	-5.1	-5.1
Reported Pre-tax Profit	19.8	20.9	20.0	24.6
Effective Tax Rate (%)	14.3	14.7	12.0	11.0
Reported Net Profit	16.8	17.6	17.3	21.5
Reported Operating Margin (%)	5.7	6.5	6.0	6.6
Reported Pre-tax Margin (%)	4.8	5.5	4.8	5.4
Reported Net Margin (%)	4.1	4.6	4.1	4.7

Source: Company data, S&amp;P Equity Research

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**Glossary**

**Strong Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

**Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

**Hold:** Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

**Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

**Strong Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

**S&P 12 Month Target Price** – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

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For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng or Ching Wah Tam.

## Recommendation and Target Price History

Date	Recommendation	Target Price
New	Not Ranked	
31-Aug-07	Hold	0.85
2-Aug-07	Buy	0.84
12-Jun-07	Buy	0.85
7-Mar-07	Hold	0.84
29-Nov-06	Hold	0.70
8-Sep-06	Hold	0.61
12-Jun-06	Hold	0.64
31-Mar-06	Hold	0.69

