



Recommendation:
BUY (Maintained)

Previous call: BUY in April at \$0.695

Price (03/07/2003)
S\$0.76

Qian Hu Corporation Limited

Corporate Updates

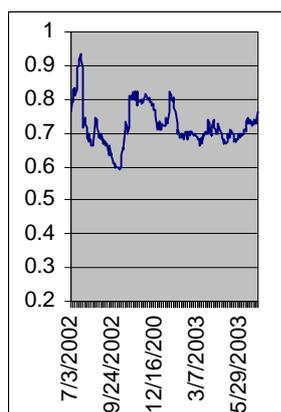
Qian Hu recently announced a joint venture with The Pet Safari to supply pets and other accessories in Malaysia. The acquisition of King Kang has completed and will contribute to the group profit in 2H FY03. We maintain our Buy recommendation with target price of 90 cents.

Share Statistics

Shares (mil)	103.9
Mkt Cap (\$mil)	78.4
PER*	11.7
P/NTA*	2.8
52-Week Range (Price)	\$0.59 -0.935
52-Week Range (PER)	8.9 – 14.2
Substantial Shareholders	Qian Hu Holdings (29.4%)

*FY2002

Price over the last 52 weeks



Source: Bloomberg

Company Profile

Qian Hu engages primarily in the import, export and distribution of ornamental fish, the breeding of Dragon Fish, as well as the manufacturing and distribution of aquarium and pet accessories.

Phillip Securities Research

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Financial Results

(Ended 31st December)

INDICATORS	FY 00	FY 01	FY 02	FY03F
TURNOVER (S\$'mil)	33.9	41.2	62.7	78.4
PROFIT/(LOSS) BEFORE TAX (S\$'mil)	4.1	4.4	8.6	10.8
PROFIT/(LOSS) AFTER TAX (S\$'mil)	3.1	3.6	6.5	8.2
EARNINGS GROWTH (%)	140.6	12.6	84.0	25.1
NET PROFIT MARGIN (%)	9.2	8.6	10.4	10.5
ROE (%)	22.6	20.7	23.5	23.5
GEARING (%)	0.1	0.1	0.0	0.0
EPS PER SHARE (CENTS)	4.9	3.9	6.6	7.5
NTA PER SHARE (CENTS)	16.1	20.8	27.4	33.0

Source: Company, Phillip Securities Research

Recent Developments

Completion of acquisition of King Kang. Acquisition of King Kang was completed in June. The management expects King Kang to contribute not less than RM1.95 million of net profit in FY03. As the third largest arowana exporter with more than one thousand pieces of Brooder Stock, we believe that acquisition of King Kang will help Qian Hu's expansion in the arowana market in the region. Arowana may contribute about 15-20% of the Group's fish sales in the future. We also expect profit margin of Qian Hu to improve as Arowana is an endangered species with limited supply and fetches higher margin compared to other species of ornamental fish.

Synergy also comes from its pet accessories business. Qian Hu can bypass third-party wholesaler by having King Kang as its pet accessories distributor in South Malaysia.

Joint Venture with The Pet Safari. Qian Hu's subsidiary in Malaysia, Guan Guan Aquarium, has formed a joint venture with The Pet Safari Pte Ltd to supply pets, pet supplies, boarding, grooming, pet food, pet accessories and other ancillary services in Malaysia. The Pet Safari will run the outlets while Qian Hu will supply ornamental fish and more than 50% of the pet accessories. By collaborating with The Pet Safari the joint venture



may create a platform to bypass wholesalers in Malaysia for future expansion.

Recommendation

We believe Qian Hu will be able to achieve double-digit growth this year. We maintain our **BUY** recommendation with target price of \$0.90, based on estimated FY03 EPS of 7.5 cents and PER of 12x.

Signed

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