



## PRESS RELEASE

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## **Qian Hu achieves 22.1% jump in FY08 net profit to \$6.0 million**

- *Both gross and net profit margins up 1.1 percentage points to 35.5% and 8.0% respectively*

S\$'000	FY08 ended 31/12/08	FY07 ended 31/12/07	Growth (%)	4Q08 ended 31/12/08	4Q07 ended 31/12/07	Growth (%)
<b>Turnover</b>	93,062	91,720	↑ 1.5	22,859	24,623	↓ 7.2
<b>Gross Profit</b>	33,070	31,545	↑ 4.8	8,060	7,911	↑ 1.9
<b>Net Profit</b>	6,043	4,948	↑ 22.1	1,736	1,578	↑ 10.0

**SINGAPORE – 12 January 2009** – Mainboard-listed integrated ornamental fish service provider **Qian Hu Corporation Limited** today reported that its net profit attributable to shareholders for the full-year ended 31 December 2008 surged 22.1% to approximately \$6.0 million.

This was achieved on a 1.5% increase in Group revenue to approximately \$93.1 million boosted by overall growth in all of its core businesses. For the full year, sales of its Ornamental Fish grew 0.8% to \$45.7 million whilst Accessories similarly grew 0.8% to \$35.6 million. Plastics Manufacturing registered higher growth, at 6.3%, to \$11.7 million.

#### **4Q Performance**

In the fourth quarter of FY2008, however, Group revenue declined 7.2% to \$22.9 million due to a shortage in supply of Dragon Fish despite rising demand, as well as the spill-over effect of a delay in roll-out of accessories products for OEM customers at its Guangzhou factory in the previous third quarter. The temporary closure of Bangkok International Airport in November 2008 had also affected ornamental fish exports from the Thai capital.

In spite of these factors, the Group managed to achieve a 10.0% improvement in 4Q2008 net profit to \$1.7 million as a result of more efficient cost controls, as well as improve gross profit margin, from 32.1% in 4Q2007 to 35.3% in 4Q2008. Its net profit margin in the fourth quarter also improved from 7.8% to 9.0%.

Going forward, the Group has invested approximately \$10 million in breeding facilities and brooder stocks in our farms located in Singapore and Malaysia in order to maintain a stable, reliable supply of its self-bred Dragon Fish. With improved productivity derived from our R&D findings on Dragon Fish brooding and consistent supply of Dragon Fish from our own farms, the Group is confident that we can satisfy the rising demand from the China, India and Vietnam market in the coming years.

The delay in rolling out new accessories products at its Guangzhou factory is a one-off incident. With production of these new products commencing in mid October 2008, the sales and delivery of these new products in the fourth quarter helped to generate a 12.2% increase in Accessories revenue over the preceding third quarter.

#### **Per Share Data**

Based on the Group's latest full-year results, its earnings per share on a fully diluted basis grew on a year-on-year basis from 1.23 Singapore cents to 1.36 Singapore cents, while net assets backing per share rose from 14.64 cents as at 30 September 2008 to 15.11 cents as at 31 December 2008.

**From Mr Kenny Yap, Qian Hu's Executive Chairman and Managing Director**

“Having emerged from our business restructuring, which happened between 2004 and 2006, Qian Hu is now more robust and diversified, and able to swim against the currents of global volatility in FY2008. In demonstrating the resilience of the pet business, the Group continues to record growth in all of our core segments, particularly in our Accessories business. It, together with strong momentum garnered from rising demand for Dragon Fish in North and Southeast Asia, continues to be our twin engines of growth.”

**Business Prospects in FY2009**

In spite of the lingering global economic situation, Qian Hu still expects - barring unforeseen circumstances - continued growth in its revenue and profitability in FY2009. The following are its strategies for swimming against the current:

- 1. Increase ornamental fish exports** beyond the more than 80 countries that it currently exports to. It plans to focus on high-growth regions such as the Middle East, Eastern Europe, China and India.
- 2. Escalate its export footprint for its aquarium and pet accessories** from 30 countries to more than 40 countries by end of FY2009.
- 3. Continue to grow its Dragon Fish business**, thanks to continued strong demand from its key markets of China, Taiwan, India and Japan. As such, the Group envisages that its Dragon Fish sales will continue to increase in FY2009.

In October 2008, the Group embarked on the second phase of its cutting-edge research on the Asian arowana that will eventually yield “pedigree” fish. Armed with the findings from the first phase of the project which began in 2004, Qian Hu, in collaboration with Temasek Life Sciences Laboratory, plans to use in-vitro breeding to develop the pedigree Asian arowana, thereby enabling Qian Hu to be more effective in selective breeding, hence improving the quality and quantity of the future generations of the Asian arowana.

- 4. Increase its profit margin** as profit growth in FY2009 is expected to be faster than sales growth, boosted by the Group's strong brands, R&D performance and efficient supply chain management, as well as continual efforts in containing operating costs and enhancing productivity.

- 5. Continue to increase its domestic distribution of accessories and ornamental fish in its subsidiaries in Singapore, Kuala Lumpur, Beijing, Shanghai and Guangzhou.** The growth in its Singapore base will be about the same as FY2008, but the Group envisages that Thailand, Malaysia, and China will continue to grow at a faster pace in their respective markets. China, for instance, will see its distribution points increase from 150 locations to more than 200 in FY2009.

### **Long-term Prospects**

In the longer-term, the Group aims to be the world's top ornamental exporter by doubling its global market share to 10% and by increasing the number of countries that it exports its ornamental fish to 100.

For its Accessories business, it plans to increase the revenue contribution from this segment to a level that is on par with Ornamental Fish segment. Qian Hu also aims to increase the range of pet accessories, which currently accounts for 10% of total Accessories sales, to 50%. Aquarium accessories sales currently account for approximately 90%. By increasing its efforts in cross selling, the Group also intends to grow its export of accessories to as many countries as its ornamental fish segment in five years' time.

### **Dividend**

In line with Qian Hu's improved profit growth and healthy cash flow, the Directors have recommended a first and final dividend of 0.2 cents per ordinary share, which if approved by shareholders at our Annual General Meeting to be held on 11 March 2009, will be paid out on 6 April 2009.

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### ***About Qian Hu Corporation Limited***

*Incorporated in 1998, Qian Hu is an integrated ornamental fish service provider – providing a spectrum of services involving distribution of well over 500 species of ornamental fish from all around the world as well as the manufacturing and distribution of a wide range of aquarium accessories, including pet foods and medications.*

*Qian Hu (which means “Thousand Lakes” in Chinese), has received several awards from the Securities Investors Association of Singapore since 2001 for its commitment to corporate transparency. The Company also won a special mention in the Best Managed Board Awards from the Singapore Institute of Directors in 2003.*

*Over the years, the Group achieved a number of “firsts” in the ornamental fish industry:*

- The first company in the ornamental fish industry in Singapore to be listed on the mainboard of the Singapore Exchange.*
- The first integrated ornamental fish service provider in Singapore, Malaysia and Thailand to be awarded the ISO 9002 certification for its quality management system.*
- The first in the ornamental fish industry to obtain ISO 14001 certification for its environmental management system.*
- One of the first ornamental fish operations in Singapore to have successfully bred the Dragon Fish and Arapaima for commercial sale.*
- The first SME to receive the Singapore Quality Award in 2004.*
- First SME to receive Singapore Corporate Award for Best Managed Board in 2008.*
- First Dragon fish breeder to engage in DNA research & development.*