



PRESS RELEASE

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Qian Hu posts \$0.5M in 2Q profit; plans disposal of Dragon Fish subsidiary in Malaysia

- *Directors propose the payment of a special dividend of 0.5 cents per ordinary share around September 2013, after the receipt of second tranche of cash proceeds from the disposal*

\$'000	2Q2012 ended 30 June	2Q2011 ended 30 June	Change (%)	1H2012 ended 30 June	1H2011 ended 30 June	Change (%)
Revenue	22,354	23,349	(4.3)	42,928	47,503	(9.6)
Gross Profit	6,919	7,128	(2.9)	13,700	14,848	(7.7)
Net Profit	532	998	(46.7)	1,055	2,006	(47.4)

SINGAPORE – 18 July 2012 – Mainboard-listed integrated ornamental fish service provider **Qian Hu Corporation Limited** (“Qian Hu” or, together with its subsidiaries, the “Group”) today reported a dip of 46.7% in net profit attributable to shareholders to S\$532,000 for the second quarter ended 30 June 2012.

The Group’s revenue dipped slightly by 4.3% to \$22.4 million, led by a substantial reduction in Ornamental Fish revenue as a result of intense price competition. This was due to many Dragon Fish farms being set up in Malaysia, causing an oversupply of Dragon Fish in Malaysia which resulted in the swift decline in selling prices.

The reduction in selling price was mitigated by revenue contributed by the Group’s newly set-up subsidiary in Indonesia, and the increase in ornamental fish export to more customers and countries. The Group’s revenue from Ornamental Fish sales decreased 16.7% to \$10.0 million in the latest quarter.

Higher revenue generated from the export of aquarium and pet accessories similarly mitigated the effect of the Group’s disposal of its Guangzhou factory in December last year, and helped boost its Accessories revenue by 12.2% to \$9.5 million.

Revenue from the Group's Plastics segment continued to be consistent in the current quarter.

First Half Performance

For the six months ended 30 June 2012 ("1H2012"), Qian Hu recorded net profit of \$1.1 million on sales of \$42.9 million.

The Group's earnings per share on a fully diluted basis was 0.23 Singapore cents in 1H2012, while net assets backing per share was 15.64 Singapore cents as at 30 June 2012.

Kenny Yap, Qian Hu's Executive Chairman and Managing Director, said: "These are unprecedented times for Qian Hu. On the one hand, the prolonged economic uncertainty in Europe has dampened demand from consumers. On the other hand and on the other side of the globe, the excessive supply of mass market Dragon Fish in Malaysia has led to the swift decline of selling prices and margins. We envisage that the situation in Malaysia will only intensify. This is why the Directors have decided to dispose our 65% interest in our Malaysian subsidiary, Kim Kang Aquaculture Sdn Bhd ("Kim Kang"), and concentrate on producing premium Dragon Fish in Singapore. More effort can also be redirected to expand our distribution network so as to increase our Dragon Fish sales to the Asian markets, particularly China."

Disposal of Kim Kang Aquaculture Sdn Bhd

Qian Hu announced today that it has entered into a memorandum of understanding ("MOU") with Kim Kang's Managing Director, Mr Goh Siak Ngan, and his wife, Ms Koh Guat Lee (together, "the Purchasers"), for the sale of Qian Hu's entire 65% shareholding in Kim Kang. Mr Goh currently owns 35% of the issued and paid-up capital of Kim Kang.

The MOU is not legally binding and the parties have till 30 September 2012 to finalise and execute the definitive sale and purchase agreement (the "SPA"). The MOU expires on 30 September 2012. If the SPA is signed, Qian Hu will receive a total consideration (the "Consideration") of \$9.4 million which will be satisfied by the cash payment of \$3.9 million and the transfer of 1,000 tails of Dragon Fish brooder stocks worth \$5.5 million from the Purchasers.

Commenting on the sale of its Dragon Fish breeding business in Malaysia, Kenny said: "The disposal of Kim Kang will unlock the value of its assets and allow the Group to rationalise its financial and capital resources as Kim Kang is currently incurring losses and negative cash flow. The cash proceeds from this disposal will be redeployed to reduce our bank borrowings, and to pay a special dividend to our shareholders in September 2013."

Payment Schedule

Upon the execution of the SPA, Qian Hu will receive \$390,000 (10% of the cash portion of the Consideration) and 1,000 tails of brooder stocks. On each of the first, second, third and fourth anniversary of the date of the SPA, Qian Hu will receive \$877,500 (being, in aggregate, 90% of the remaining cash portion of the Consideration).

Special Dividend

The Directors propose the payment of a special dividend of 0.5 Singapore cents per ordinary share in September 2013 around the first anniversary of the date of the SPA, after the first payment of \$877,500 is received.

Earnings Guidance

The Group expects that the divestment of Kim Kang will give rise to a one-off net loss on disposal amounting to approximately \$9.2 million at the Group level, which will be reflected in the next quarter's financial results. In view of the investment loss, coupled with the possible implication on the restructuring of the Group's Dragon Fish business, its financial performance for the next quarter will be weak. However, its other business segments such as Accessories and Plastics remain resilient and will continue to generate respectable profit margins and healthy cash flow.

Said Kenny: "We have recently launched several aquarium products. One such product is our new generation *Ocean Free* fish tank. This feature-packed fish tank has iPod docking stations, and uses our state-of-the-art Hydro-Pure technology which maintains the clarity of water. Our new generation *Ocean Free* fish tanks have garnered positive and encouraging responses from both the Asian and Western markets. More are in the offing, and we envisage that Qian Hu will soon be a truly knowledge-based and technologically driven company with marketing capabilities."

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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 1,000 species and varieties 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.

Since its listing in 2000, Qian Hu (which means "Thousand Lakes" in Chinese), has been recognised for its best practices in corporate transparency and governance – such as the Securities Investors Association of Singapore's Most Transparent Company Awards, and various accolades by the organisers of the Singapore Corporate Awards - Best Managed Board, Chief Financial Officer of the Year, Best Investor Relations and Best Annual Report Awards.

In 2012, the Group won top honours amongst SMEs at the Singapore Sustainability Awards organised by the Singapore Business Federation, and attained "Application Level C" from Global Reporting Initiative (GRI), the international standard for sustainability reporting.