



## PRESS RELEASE

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## **Qian Hu's full year earnings decline 76.8% to \$1.6 million**

- *Operating profit for its ornamental fish and accessories businesses improved by 22.9% and 114.5% respectively in the 4<sup>th</sup> quarter*
- *Expects to remain profitable in FY2005*

**SINGAPORE – 12 January 2005** – Mainboard-listed integrated ornamental fish service provider **Qian Hu Corporation Limited** today reported a decline of 76.8% in net profit attributable to shareholders to \$1.6 million for the full year ended 31 December 2004.

Group turnover also dipped by 3.2% to \$65.5 million as a result of lower demand for ornamental fish as well as aquarium and pet accessories against a backdrop of keen competition in its Singapore and Malaysia markets. Turnover from its overseas subsidiaries, however, grew by 13.5% compared to the year-ago period, thanks to its continual efforts at expanding its distribution network in untapped markets overseas.

Operating profit from the Group's ornamental fish and accessories activities in the 4<sup>th</sup> quarter, however, improved substantially over the previous 3<sup>rd</sup> quarter. Its ornamental fish business saw a 22.9% rise in operating profit to \$719,000 largely due to the valuation placed on its breeder stock of Dragon Fish and higher sales volumes. Similarly, Qian Hu's accessories business recorded a 114.5% jump in operating profit to

\$133,000 because set-up costs of its retail chain stores were reduced substantially as there was only one new store opened in November 2004. The retail stores which have already opened in Shanghai, Nanjing, Kuala Lumpur, Johor Bahru, Batu Pahat, Bangkok and Bandung -- also showed improvement in profitability in the 4<sup>th</sup> quarter.

Said Kenny Yap, Qian Hu's Executive Chairman and Managing Director, "Qian Hu has reached another challenging milestone in our corporate history as we launched forward with a retail chain store strategy all over Asia in 2004. We feel that this front-end integration, along with our tried-and-tested business of ornamental fish distribution, Dragon Fish breeding and manufacturing of aquarium and pet accessories, is absolutely crucial in a global business environment that is continually evolving."

"Some people feel that this is a very risky move – developing new ideas in foreign markets that do not have proven business models in the retailing of aquarium and pet accessories. Others have noticed the fluctuations in our operating profit from quarter to quarter caused by the incurrence of higher pre-operational expenditure as a result of these strategic investments. What I can assure our shareholders and investors is that the Board had deliberated over these new investments in great detail, and we have come to one conclusion – either take the plunge now, or risk losing our market leadership," Kenny said.

"Or worse still – languish in mediocrity! Our retail business adds a crucial link to our total value chain and it is imperative that we make this move if Qian Hu is to continue to grow its revenue and earnings to greater levels of achievement," he added.

Based on the Group's latest audited full-year results, earnings per share on a fully diluted basis decreased from 5.55 Singapore cents to 1.27 cents, while net assets backing per share declined from 38.33 cents to 33.06 cents.

**Prospects for the ornamental fish business**

Qian Hu is the only ornamental fish company in the world that supplies ornamental fish from 5 countries, namely Singapore, Malaysia, Indonesia, Thailand and China. Its ornamental fish business continues to be an important core activity of the Group as it seeks to export more fish to more customers and countries all over the world, and expand its domestic distribution network in Singapore, Malaysia, Indonesia, Thailand and China.

Sales of Dragon Fish, which sees increasing demand from China, Taiwan and Japan, is expected to continue in FY2005. The Group's collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish will facilitate the increase in production of Dragon Fish in its farms in Singapore and Malaysia to meet market demand.

**Prospects for the accessories business**

Increasing demand from our subsidiaries' distribution network in Singapore, Malaysia, Indonesia, Thailand and China, coupled with new customers from other parts of the world seeking OEM arrangements with the Group's recently-expanded Guangzhou factory, will see an improvement in turnover and profit in FY2005.

**Prospects for the retail chain store business**

The process of professionalizing a highly-fragmented retail market by setting up retail chain stores which offer better services, a wider product range within a visually-stimulating shopping environment, will take a longer gestation period to conclude results. However, the Group feels that this is an extremely essential initiative in order to enhance its market position and secure future growth potential.

**Group prospects for FY2005**

On prospects for the current FY2004, Kenny said, "Our experimentation with Qian Hu – The Pet Family retail chain stores continues to gain momentum, however, it will require a longer gestation period to see the returns to our investments. As such, we expect the Group to remain profitable in FY2005 despite possible fluctuations in operating profit from quarter to quarter."

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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 2004.*

*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; and*
- The first SME to receive the Singapore Quality Award in 2004.*