



PRESS RELEASE

Contact Information:

Tishrei Communications

Ho See Kim, seekim@tishrei.sg

Tel: 96313602

Qian Hu posts 1H20 net loss as sales dips 12.7% from supply chain disruptions during pandemic

- To mitigate the risks of future disruptions, Group plans to expand the domestic network within each of its export hubs in Singapore, Malaysia, Thailand, Indonesia and China
- Group expands Aquaculture business beyond China, with its foray into shrimp farming in Desaru, Malaysia in July 2020. Expects contribution to the Group's results in the second half of FY2020

\$'000	1H2020	1H2019	Change (%)
Revenue	33,222	38,067	(12.7)
Gross Profit	10,712	11,607	(7.7)
Net (Loss)/ Profit	(525)	273	(292.3)

Period ended 30 June

SINGAPORE – 17 July 2020 – Mainboard-listed integrated fish service provider **Qian Hu Corporation Limited** (“Qian Hu” or “the Group”) today reported a net loss attributable to shareholders of \$525,000 for the six months ended 30 June 2020, compared to a net profit attributable to shareholders of \$273,000 in the year-ago period.

In its latest results, Group revenue fell by 12.7% year-on-year to \$33.2 million, largely due to the considerable disruptions to the global supply chain during the Covid-19 pandemic that affected its exports of ornamental and edible fish, and to a lesser extent, its aquarium and pet accessories. Certain of the Group's business activities were unable to operate during Singapore's “circuit breaker” period.

Revenue by Segments

\$'000	1H2020	1H2019	Change (%)
Fish	11,885	15,997	(25.7)
Accessories	16,779	16,417	2.2
Plastics	4,558	5,653	(19.4)
	<u>33,222</u>	<u>38,067</u>	<u>(12.7)</u>

Period ended 30 June

Fish

The Group's Fish exports, which are very dependent on the operations and availability of air cargo, was severely impacted by the substantial reduction of capacity and flight frequencies. Its Aquaculture business in Hainan Province was also impacted by the lockdown in China which dampened domestic demand and depressed fish fry prices.

In the first six months of FY2020, the Group's Fish segment posted a 25.7% decline in sales to \$11.9 million.

Accessories

The Accessories segment posted a slight increase of 2.2% to \$16.8 million in sales during the first half as its aquarium and pet accessories products were not seriously affected by the reduction in flight operations as they are usually exported via sea freight. In addition, the segment benefited from contributions from the Group's newly acquired accessories factory in Guangzhou.

This was in spite of the impact on the Group's operations in Malaysia due to the Malaysian government's imposition of a prolonged Movement Control Order (MCO) and the closure of the Group's China operations for almost a month till mid-February (including the usual one-week Chinese New Year break) under a directive by its local government to help limit the spread of COVID-19 infections.

Plastics

The loss of a major customer led to the Group's Plastics segment posting a dip of 19.4% in sales to \$4.6 million. This was despite its Plastics business benefitting from the increased

demand for plastics products as they were considered essential items used to enhance hygiene protocols during the pandemic, particularly for food and beverage packaging and healthcare sectors.

Operating Profit/(Loss) by Segments

\$'000	1H2020	1H2019	Change (%)
Fish	(459)	825	(155.6)
Accessories	690	750	(8.0)
Plastics	724	473	53.1
Unallocated Corporate Expenses	(1,418)	(1,659)	14.5
	(463)	389	(219.0)

Period ended 30 June

Fish

The significant reduction in revenue from the Group's Fish segment, caused by supply chain disruptions, substantial cuts in air freight capacity and flight frequencies, and lockdowns in various countries during the pandemic led to its Fish segment reporting a pre-tax loss of \$459,000 in the latest half, compared to an operating profit of \$825,000 posted in the year-ago period.

Accessories

In spite of the slightly higher revenue achieved in the latest half year, the Group's Accessories segment registered an 8.0% dip in operating profit to \$690,000 due to its on-going efforts to capture more sales, which meant having to sacrifice some profit margin in the process.

Plastics

The Group's Plastics segment generated stronger profit margin in the half year, with operating profit jumping 53.1% to \$724,000. The lack of competition from Malaysian suppliers as a result of the prolonged lockdown in Malaysia, as well as the favourable raw material prices, boosted its profitability during the financial period.

EPS, NAV Per Share and Cash Balance

For the half year, the Group reported a loss per share of 0.46 Singapore cent, while its net asset value per share stood at 44.92 Singapore cents as at 30 June 2020. Its cash and cash equivalents amounted to \$16.7 million as at the end of the financial period.

Said Kenny Yap, Qian Hu's Executive Chairman and Managing Director: "Despite the severe supply chain disruptions that caused a huge dent in our first-half performance, we are heartened that the demand for Fish and Accessories was fundamentally intact."

"Looking ahead, our business outlook remains extremely challenging, at least for the second half of FY2020. Until a vaccine is successfully developed, or a viable solution is found to eradicate Covid-19, the global economic landscape remains very fluid. While we are not able to control the external environment, we can, however, do what we must to renew our products and processes, continue to innovate, and digitalise our operations. Although we will continue to experience impact on revenue and profit in the second half of FY2020, we believe that we have positioned ourselves pertinently to weather the crisis and will emerge much stronger than before."

In the months ahead, the Group plans to expand the domestic network within each of its export hubs in Singapore, Malaysia, Thailand, Indonesia and China to mitigate the risks of future global supply chain disruptions.

In addition, the Group has started to grow its Aquaculture footprint beyond China. In July 2020, Qian Hu embarked on the commercial farming of freshwater shrimps in Desaru, West Malaysia by engaging a contract farmer who owns 200 acres of land. This initiative followed after a successful pilot project of farming mono-sex brooder stock of freshwater shrimp at the Group's Singapore farm. The Group expects its Desaru shrimp farming project to contribute to the Group's results in the second half of FY2020.

The expansion of its Aquaculture business closer to home is also in line with the Singapore government's aim to produce 30% of the country's nutritional needs by 2030. The Group is in the midst of conducting proprietary research on the viable intensive production of other edible seafoods in the near future. This is underpinned by its proprietary HYDROPURE filtration technology and its focus on antibiotic-free nutrition and farming methods.

Added Kenny: “We believe that the Aquaculture business would be many times bigger than our current core ornamental fish segment - we expect it to be a sustainable engine of growth that will further secure Qian Hu’s future.”

###

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.

In January 2017, the Group announced that it had set up a subsidiary, Qian Hu Aquaculture (Hainan) Co., Ltd, to farm antibiotic-free edible fish, such as groupers, in Hainan Province, China. In November 2017, the Group incorporated another company – Tian Tian Fisheries (Hainan) Co., Ltd –, which deals in the export of edible fish and seafood from Hainan to Southeast Asia, and the import of other edible fish and seafood from the rest of the world into China. Its two farms occupy a combined land area of 10,000 square metres and have more than 200 tanks to rear a host of edible fish and seafood.

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. Since the inception of Singapore Corporate Awards, Qian Hu has bagged numerous awards – to date, 14 in total (nine Gold, two Bronze, two Merit and the Best Chief Financial Officer Award). The Group was a runner-up in the Singapore Corporate Governance Award 2017 (Consumer Discretionary category) organised by the Securities Investors Association of Singapore.

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.