



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

**THIRD QUARTER & NINE MONTHS FINANCIAL STATEMENTS ANNOUNCEMENT**

1(a) **INCOME STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2012**

	Note	Group			Group		
		3 months ended 30 Sep		Change %	9 months ended 30 Sep		Change %
		2012 \$'000	2011 \$'000		2012 \$'000	2011 \$'000	
Revenue		21,686	21,522	0.8	64,614	69,025	(6.4)
Cost of sales		(15,916)	(14,443)	10.2	(45,144)	(47,098)	(4.1)
<b>Gross profit</b>		<b>5,770</b>	<b>7,079</b>	<b>(18.5)</b>	<b>19,470</b>	<b>21,927</b>	<b>(11.2)</b>
Other (expenses) income	i	(9,296)	68	NM	(9,158)	158	NM
		(3,526)	7,147	(149.3)	10,312	22,085	(53.3)
Selling & distribution expenses	ii	(431)	(461)	(6.5)	(1,240)	(1,201)	3.2
General & administrative expenses	ii	(5,943)	(5,647)	5.2	(17,532)	(16,834)	4.1
<b>Results from operating activities</b>	iii	<b>(9,900)</b>	<b>1,039</b>	<b>(1,052.8)</b>	<b>(8,460)</b>	<b>4,050</b>	<b>(308.9)</b>
Financial income	iv	8	2	300.0	17	7	142.9
Financial expenses	iv	(107)	(115)	(7.0)	(331)	(305)	8.5
		(9,999)	926	(1,179.8)	(8,774)	3,752	(333.8)
Share of losses of associates		(33)	(49)	32.7	(49)	(74)	(33.8)
<b>(Loss) Profit before tax</b>		<b>(10,032)</b>	<b>877</b>	<b>(1,243.9)</b>	<b>(8,823)</b>	<b>3,678</b>	<b>(339.9)</b>
Tax expense	v	(116)	(243)	(52.3)	(360)	(771)	(53.3)
<b>(Loss) Profit for the period</b>		<b>(10,148)</b>	<b>634</b>	<b>(1,700.6)</b>	<b>(9,183)</b>	<b>2,907</b>	<b>(415.9)</b>
(Loss) Profit attributable to:							
<b>Equity holders of the Company</b>		<b>(10,143)</b>	<b>574</b>	<b>(1,867.1)</b>	<b>(9,088)</b>	<b>2,580</b>	<b>(452.2)</b>
Non-controlling interests		(5)	60	(108.3)	(95)	327	(129.1)
<b>(Loss) Profit for the period</b>		<b>(10,148)</b>	<b>634</b>	<b>(1,700.6)</b>	<b>(9,183)</b>	<b>2,907</b>	<b>(415.9)</b>
Gross profit margin		26.6%	32.9%		30.1%	31.8%	
Net profit margin *		-3.8%	2.9%		0.2%	4.2%	
Effective tax rate *		-16.5%	27.7%		73.4%	20.3%	

NM: Not Meaningful

\* excluded the loss on disposal of a subsidiary and impairment loss on investment in an associate



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**STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2012**

	<u>Group</u>			<u>Group</u>		
	<u>3 months ended 30 Sep</u>		<u>Change</u>	<u>9 months ended 30 Sep</u>		<u>Change</u>
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
<b>(Loss) Profit for the period</b>	(10,148)	634	(1,700.6)	(9,183)	2,907	(415.9)
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	377	244	54.5	(390)	(855)	(54.4)
<b>Other comprehensive income for the period, net of tax</b>	<b>377</b>	<b>244</b>	<b>54.5</b>	<b>(390)</b>	<b>(855)</b>	<b>(54.4)</b>
<b>Total comprehensive income for the period</b>	<b>(9,771)</b>	<b>878</b>	<b>(1,212.9)</b>	<b>(9,573)</b>	<b>2,052</b>	<b>(566.5)</b>
(Loss) Profit attributable to:						
<b>Equity holders of the Company</b>	<b>(9,909)</b>	<b>755</b>	<b>(1,412.5)</b>	<b>(9,388)</b>	<b>2,013</b>	<b>(566.4)</b>
Non-controlling interests	138	123	12.2	(185)	39	(574.4)
<b>Total comprehensive income for the period</b>	<b>(9,771)</b>	<b>878</b>	<b>(1,212.9)</b>	<b>(9,573)</b>	<b>2,052</b>	<b>(566.5)</b>

**Notes to Income Statement**

(i) **Other (expenses) income**

Other (expenses) income comprises:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Sep</u>		<u>9 months ended 30 Sep</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Gain (Loss) on disposal of				
- property, plant and equipment	-	19	60	35
- a subsidiary	(9,062)	-	(9,062)	-
Impairment loss on investment in an associate	(255)	-	(255)	-
Sundry income	21	49	99	123
	<b>(9,296)</b>	<b>68</b>	<b>(9,158)</b>	<b>158</b>

Loss on disposal of a subsidiary of approximately \$9.1 million arises from the disposal of the Group's entire equity interest in Kim Kang Aquaculture Sdn Bhd ("Kim Kang"), its 65% owned subsidiary, dealing with the breeding of Dragon Fish.

*On 18 July 2012, the Group entered into a Memorandum of Understanding (MOU) with Mr Goh Siak Ngan, and his wife, Mdm Koh Guat Lee to dispose of the Group's entire equity shareholdings in Kim Kang (please refer to SGXNET announcement No. 00083 released on 18 July 2012 for further details). The Sale and Purchase Agreement in relation to the disposal was signed on 17 October 2012.*



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**Notes to Income Statement (cont'd)**

(ii) **Selling & distribution expenses**  
**General & administrative expenses**

The increase in operating expenses by approximately \$0.3 million and \$0.7 million in the current quarter and for the nine months ended 30 September 2012 respectively, as compared to the corresponding periods in 2011, was mainly due to higher personnel expenses incurred as a result of annual salary revision as well as the broad-spectrum increase in operating costs (e.g. utilities costs) as a result of elevated inflationary pressure.

The reduction in operating expenses as a result of the disposal of the Group's entire equity interest in Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") in the 4<sup>th</sup> quarter of 2011 was partially offset by the expenses incurred by our newly set up subsidiary in Indonesia during the current financial period.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Sep</u>	<u>2011</u>	<u>9 months ended 30 Sep</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	18	28	54	64
- other auditors	6	7	17	20
Non-audit fees				
- other auditors	8	7	23	14
Directors' fees				
- directors of the Company	20	15	60	50
Directors' remuneration				
- directors of the Company	278	258	834	793
- directors of subsidiaries	142	150	423	447
Bad trade receivables				
- written off	-	-	4	1
- recovered	-	(5)	-	(5)
Depreciation of				
- property, plant and equipment	574	548	1,712	1,650
- brooder stocks	159	131	477	454
Property, plant and equipment written off	1	1	4	4
Gain on disposal of property, plant and equipment	-	(19)	(60)	(35)
Allowance for				
- doubtful trade receivables	132	145	325	324
- inventory obsolescence	-	81	15	115
Operating lease expenses	279	291	855	900
Personnel expenses *	3,230	3,327	9,843	9,710
Exchange loss (gain), net	154	(265)	(119)	(419)
Change in fair value less estimated point-of-sale costs	-	-	8	-



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**Notes to Income Statement (cont'd)**

(iv) **Financial income**  
**Financial expenses**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Sep</b>		<b>9 months ended 30 Sep</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest expense				
- bank loans and overdrafts	54	57	168	164
- bills payable	46	50	138	116
- finance lease liabilities	7	8	25	25
	<b>107</b>	<b>115</b>	<b>331</b>	<b>305</b>
Interest income				
- bank deposits	(8)	(2)	(17)	(7)
Net financial expenses	<b>99</b>	<b>113</b>	<b>314</b>	<b>298</b>

The increase in interest expense by approximately 8.5% for the nine months ended 30 September 2012 as compared to its corresponding period in 2011 was mainly due to higher interest rates charged by the financial institutions as well as an increase in the amount of bank borrowings outstanding throughout the financial period. The interest rates has since stabilised in the 3<sup>rd</sup> quarter of 2012, resulting in a marginal lower amount of financial expenses incurred in the current quarter as compared to its corresponding period in 2011.

(v) **Tax expense**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Sep</b>		<b>9 months ended 30 Sep</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current tax expense				
- current year	118	243	362	747
- over provision in respect of prior year	(2)	-	(2)	24
	<b>116</b>	<b>243</b>	<b>360</b>	<b>771</b>

The Group incurred losses in the 3<sup>rd</sup> quarter and for the nine months ended 30 September 2012 mainly due to one-off investment losses. The current tax expenses were in relation to the operating profits registered by the individual entities.

Despite the tax incentives granted for qualifying expenditures, the high effective tax rate registered for nine months ended 30 September 2012 were mainly due to losses incurred by some subsidiaries which cannot be offset against profits earned by other companies in the Group.



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1(b)(i) **STATEMENTS OF FINANCIAL POSITION**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
<b>Equity attributable to equity holders of the Company</b>				
Share capital	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	21,813,710	32,660,659	14,784,065	16,355,718
	<b>52,586,498</b>	<b>63,433,447</b>	<b>45,556,853</b>	<b>47,128,506</b>
<b>Non-Controlling Interests</b>	1,585,780	10,190,157	-	-
<b>Total Equity</b>	<b>54,172,278</b>	<b>73,623,604</b>	<b>45,556,853</b>	<b>47,128,506</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	7,201,113	13,046,754	5,414,622	5,604,163
Brooder stocks	8,430,548	28,918,645	8,430,548	2,981,922
Investments in subsidiaries	-	-	2,063,156	10,601,547
Investments in associates	702,643	1,006,594	815,200	1,215,200
Intangible assets	343,048	2,257,804	343,048	343,048
<b>Current Assets</b>				
Inventories	17,346,464	19,585,776	8,007,325	6,884,221
Breeder stocks	240,260	992,534	240,260	400,390
Trade receivables	27,017,306	27,149,218	21,680,147	20,127,366
Other receivables, deposits and prepayments	10,202,856	4,320,301	9,015,754	2,976,577
Due from				
- subsidiaries (trade)	-	-	5,999,639	9,590,533
- subsidiaries (non-trade)	-	-	303,909	2,481,395
- associates (trade)	172,941	61,464	172,941	61,464
Fixed deposits	25,446	24,560	25,446	24,560
Cash and bank balances	9,114,837	8,580,991	5,584,185	4,048,857
	<b>64,120,110</b>	<b>60,714,844</b>	<b>51,029,606</b>	<b>46,595,363</b>
<b>Current Liabilities</b>				
Trade payables	7,046,533	6,711,318	3,659,458	3,206,395
Bills payable to banks (unsecured)	1,150,911	4,226,403	1,034,833	741,204
Other payables and accruals	4,051,005	4,876,513	3,276,019	3,557,002
Due to				
- subsidiaries (trade)	-	-	66,187	45,720
- subsidiaries (non-trade)	-	-	592,701	1,130,000
Finance lease liabilities	161,511	176,768	70,407	71,789
Bank term loans	13,000,000	11,277,363	13,000,000	10,500,000
Current tax payable	371,060	554,747	161,978	268,800
	<b>25,781,020</b>	<b>27,823,112</b>	<b>21,861,583</b>	<b>19,520,910</b>
<b>Net Current Assets</b>	<b>38,339,090</b>	<b>32,891,732</b>	<b>29,168,023</b>	<b>27,074,453</b>
<b>Non-Current Liabilities</b>				
Finance lease liabilities	(259,569)	(297,712)	(121,149)	(135,232)
Deferred tax liabilities	(584,595)	(4,200,213)	(556,595)	(556,595)
<b>Net Assets</b>	<b>54,172,278</b>	<b>73,623,604</b>	<b>45,556,853</b>	<b>47,128,506</b>



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1(b)(i) **STATEMENTS OF FINANCIAL POSITION (cont'd)**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>
Inventory turnover (days)	116	137	78	77
Trade receivables turnover (days)	115	112	161	152
Trade receivables turnover (days) (without GZQH balances)	69	73	75	68
Debt equity ratio	0.49	0.44	0.49	0.43

Note - With the disposal of GZQH, a former subsidiary, in December 2011, the Group's trade balances with GZQH have been reclassified as trade receivables. Accordingly, it has resulted in a significant surge in trade receivables turnover days.

**Notes to Statements of Financial Position**

- (1) With the disposal of Kim Kang, a significant subsidiary of the Group, the total assets and liabilities of the Group were reduced substantially (please refer to page 13 on the details of the amount of assets and liabilities disposed). Accordingly, the Group's property, plant & equipment and brooder stocks balances have decreased as at 30 September 2012.
- (2) The details of subsidiaries are as follows:

<b>Name of subsidiary</b>	<b>Effective equity interest held by the Group</b>		<b>Cost of investment by the Company</b>	
	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>
	<b>%</b>	<b>%</b>	<b>\$</b>	<b>\$</b>
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	171,951	171,951
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Kim Kang Aquaculture Sdn Bhd # (Malaysia)	-	65	-	8,538,391
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	1,086,516	1,086,516
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
	<b>Balance carried forward</b>		<b>1,635,603</b>	<b>10,173,994</b>



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**Notes to Statements of Financial Position (cont'd)**

Name of subsidiary	held by the Group		by the Company	
	30 Sep 2012 %	31 Dec 2011 %	30 Sep 2012 \$	31 Dec 2011 \$
		Balance carried forward	1,635,603	10,173,994
Thai Qian Hu Company Limited and its subsidiary: (Thailand)	60	60	121,554	121,554
- Advance Aquatic Co., Ltd. (Thailand)	60	60	-	-
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
P.T. Qian Hu Joe Aquatic Indonesia (Indonesia)	55	55	275,000	275,000
			<b>2,063,156</b>	<b>10,601,547</b>

\* The Company has voting control at general meetings & Board meetings of NNTL (Thailand) Limited.

# The Company disposed of the subsidiary in September 2012.

(3) The details of associates are as follows:

	Group		Company	
	30 Sep 2012 \$	31 Dec 2011 \$	30 Sep 2012 \$	31 Dec 2011 \$
Unquoted equity investments				
- Arcadia Products PLC	812,600	812,600	812,600	812,600
- Qian Hu Aquasstar (India) Private Limited	402,600	402,600	402,600	402,600
	<b>1,215,200</b>	<b>1,215,200</b>	<b>1,215,200</b>	<b>1,215,200</b>
Share of post-acquisition losses	(257,435)	(208,606)	-	-
Impairment loss on investment	(255,122)	-	(400,000)	-
	<b>702,643</b>	<b>1,006,594</b>	<b>815,200</b>	<b>1,215,200</b>

Name of associate	Principal activities	Effective equity held by the Group	
		30 Sep 2012 %	31 Dec 2011 %
Arcadia Products PLC (United Kingdom)	Manufacture and distribution of aquarium lamps	20	20
Qian Hu Aquasstar (India) Private Limited (India)	Manufacture of fish food and aquarium accessories	50	50

The Group recorded an impairment loss relating to its investment in Arcadia Products PLC (“Arcadia”) as the carrying amount of the investment was affected by the depreciation of Sterling Pound (£) against Singapore Dollar (S\$) since its acquisition. The Group will continue to equity account for its share of results in Arcadia.



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**Notes to Statements of Financial Position (cont'd)**

(4) Intangible assets comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Trademarks/customer acquisition costs	937,647	937,970	921,497	921,497
Product listing fees	196,153	196,153	196,153	196,153
Goodwill on consolidation	-	1,914,756	-	-
	<u>1,133,800</u>	<u>3,048,879</u>	<u>1,117,650</u>	<u>1,117,650</u>
Less accumulated amortisation	(790,752)	(791,075)	(774,602)	(774,602)
	<u>343,048</u>	<u>2,257,804</u>	<u>343,048</u>	<u>343,048</u>

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the acquisition of trademarks rights and existing customer base of two brands of pet food. Such costs were determined to have indefinite lives and are tested for impairment annually.

Product listing fees relate to cost paid to third parties in relation to the entitlements to list and sell the Company's products in certain supermarkets, and are amortised over 3 years.

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of subsidiaries acquired. The goodwill amount was in relation to Kim Kang, which was disposed of in September 2012.

(5) Inventories comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Fish	4,097,619	7,544,168	3,154,276	2,336,394
Accessories	12,829,947	11,711,813	5,243,049	4,922,827
Plastics products - raw materials	371,173	258,032	-	-
Plastics products - finished goods	531,515	540,553	-	-
	<u>17,830,254</u>	<u>20,054,566</u>	<u>8,397,325</u>	<u>7,259,221</u>
Less allowance for inventory obsolescence	(483,790)	(468,790)	(390,000)	(375,000)
	<u>17,346,464</u>	<u>19,585,776</u>	<u>8,007,325</u>	<u>6,884,221</u>

The lower fish inventory balance as at 30 September 2012 was mainly due to the disposal of Kim Kang, coupled with lower quantity of Dragon Fish held in view of the declining selling prices. Whereas the increase in accessories inventory balance was due to higher stock holding in relation to the new accessories products launched in the current financial year. The latter has accordingly resulted in the increase in trade payables and bills payable balances as at 30 September 2012.





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**Notes to Statements of Financial Position (cont'd)**

- (6) Breeder stocks are off-springs of the brooder stocks, held for trading purposes. As at the reporting date, these stocks are measured based on their fair value, which are determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier. Other than as a result of the disposal of Kim Kang, the lower breeder stocks balance was mainly due to difference in quantity, valuation and product mix at both reporting dates.

- (7) Trade receivables comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Trade receivables	29,004,285	28,810,854	23,486,992	21,755,089
Less allowance for doubtful trade receivables	(1,986,979)	(1,661,636)	(1,806,845)	(1,627,723)
	<u>27,017,306</u>	<u>27,149,218</u>	<u>21,680,147</u>	<u>20,127,366</u>

With the exclusion of Kim Kang's trade receivables balances for both periods, there was actually an increase in trade receivables balance as at 30 September 2012 which was mainly due to higher credit sales generated in the 3<sup>rd</sup> quarter of 2012. The trade receivables turnover days have remained relatively consistent for both reporting periods.

The Group has reclassified its trade balances with GZQH, a former subsidiary, as trade receivables following the disposal in December 2011. The recoverability of the amount due from GZQH is guaranteed by a major shareholder of the Company.

- (8) Other receivables, deposits and prepayments comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Other receivables	6,286,371	248,913	5,984,212	193,476
Deposits	299,429	352,836	84,390	75,940
Prepayments	609,942	594,198	296,221	205,789
Advances to suppliers	2,185,544	2,362,974	2,061,887	2,210,338
Deposit for purchase of property, plant and equipment	707,167	325,727	589,044	291,034
Tax recoverable	114,402	435,653	-	-
	<u>10,202,855</u>	<u>4,320,301</u>	<u>9,015,754</u>	<u>2,976,577</u>

The higher amount of other receivables, deposits and prepayments balances as at 30 September 2012 was mainly due to:-

- increase in other receivables, which consists of sales proceeds from the disposal of Kim Kang due from the purchasers amounting to \$3.9 million and amount due from Kim Kang of \$2.0 million. According to the Sale and Purchase Agreement and the Loan Repayment Agreement signed with the purchasers in October 2012, these amounts are payable over four equal yearly instalments from the first anniversary of the date of signing of these agreements.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

**Notes to Statements of Financial Position (cont'd)**

- increase in deposits for purchase of property, plant and equipment in relation to the on-going infrastructure construction work undertaken by our Singapore and overseas entities. These amounts will be capitalised as plant, property and equipment upon the completion of the construction work.
- increase in amount of prepayments made as at 30 September 2012 as a result of payments incurred for certain expenses at the beginning of the year. Such amounts will be charged to the income statement throughout the current financial year.

(9) Other payables and accruals comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Accrued operating expenses	228,620	359,595	133,599	184,968
Accrued staff costs	1,612,928	1,852,908	1,195,759	1,474,390
Other payables	1,941,364	1,871,113	1,685,133	1,610,530
Advance received from customers	268,093	792,897	261,528	287,114
	<b>4,051,005</b>	<b>4,876,513</b>	<b>3,276,019</b>	<b>3,557,002</b>

The reduction of other payables and accruals as at 30 September 2012 was mainly due to the decrease in accrued staff costs as a result of bonus payment made in January 2012.

1(b)(ii) **GROUP BORROWINGS**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>	<b>30 Sep 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Unsecured term loans				
- short-term	13,000,000	10,500,000	13,000,000	10,500,000
- long-term	-	777,363	-	-
	<b>13,000,000</b>	<b>11,277,363</b>	<b>13,000,000</b>	<b>10,500,000</b>

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.26% to 1.50% (31/12/2011: 1.27% to 1.47%) per annum and are repayable within the next 12 months from the reporting date.

The unsecured long-term loans as at 31 December 2011 were loans taken by Kim Kang, which was disposed in September 2012. These loans bore interest at rates ranging from 7.6% to 8.1% per annum and were repayable within 3 to 5 years from the reporting date.

As at 30 September 2012, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$8.8 million (31/12/2011: \$10.9 million).



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

1(c) **STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER AND NINE MONTHS ENDED**  
**30 SEPTEMBER 2012**

	Group		Group	
	3 months ended 30 Sep 2012	2011	9 months ended 30 Sep 2012	2011
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
(Loss) Profit before tax	(10,031,904)	877,315	(8,823,077)	3,677,907
Adjustments for:				
Bad trade receivables				
- written off	23	36	3,556	512
- recovered	-	(5,125)	-	(5,125)
Depreciation of				
- property, plant and equipment	574,289	548,259	1,712,029	1,649,576
- brooder stocks	159,013	131,202	477,039	454,194
Loss (Gain) on disposal of				
- property, plant and and equipment	188	(19,000)	(60,041)	(34,897)
- a subsidiary	9,061,610	-	9,061,610	-
Impairment loss on investment in an associate	255,122	-	255,122	-
Property, plant and equipment written off	1,295	1,390	3,831	4,085
Change in fair value less estimated point-of-sale costs	-	-	7,540	-
Allowance for				
- doubtful trade receivables	132,311	144,600	325,421	323,807
- inventory obsolescence	-	81,000	15,000	115,000
Share of losses of associates	32,220	48,787	48,829	73,664
Interest expense	107,790	114,968	331,222	304,956
Interest income	(8,661)	(1,257)	(17,514)	(6,722)
<b>Operating profit before working capital changes</b>	283,296	1,922,175	3,340,567	6,556,957
(Increase) Decrease in:				
Inventories	1,169,666	(867,940)	(184,706)	(3,401,844)
Breeder stocks	179,800	-	152,590	-
Trade receivables	76,265	205,289	(808,964)	932,238
Other receivables, deposits and prepayments	(303,891)	(372,133)	(386,538)	(1,309,480)
Due from associates (trade)	(18,735)	(4,211)	(111,477)	(42,897)
Increase (Decrease) in:				
Trade payables	318,317	(381,861)	1,701,136	(881,405)
Bills payable to banks	237,290	267,923	476,445	495,982
Other payables and accruals	242,839	35,167	(519,673)	(472,613)
<b>Cash generated from operating activities</b>	2,184,847	804,409	3,659,380	1,876,938
Tax paid	(324,191)	(316,685)	(739,649)	(709,157)
<b>Net cash from operating activities</b>	1,860,656	487,724	2,919,731	1,167,781
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(151,174)	(251,503)	(1,093,326)	(1,188,622)
Proceeds from disposal of property, plant and equipment	367	19,000	105,113	40,772
Disposal of a subsidiary, net of cash and cash equivalents (Note iii)	(187,542)	-	(187,542)	-
Interest received	8,661	1,257	17,514	6,722
<b>Net cash used in investing activities</b>	(329,688)	(231,246)	(1,158,241)	(1,141,128)



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

1(c) **STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2012 (cont'd)**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Sep 2012</b>	<b>2011</b>	<b>9 months ended 30 Sep 2012</b>	<b>2011</b>
	\$	\$	\$	\$
<b>Cash flows from financing activities</b>				
Drawdown of bank term loans	-	-	2,500,000	1,800,000
Advances from minority shareholders of a subsidiary	-	-	140,000	-
Repayment of				
- finance lease liabilities	(65,951)	(45,310)	(146,524)	(140,169)
- bank term loans	(98,979)	(93,130)	(291,533)	(275,873)
Payment of dividends to				
- shareholders of the Company	-	-	(2,724,638)	(2,270,532)
- non-controlling shareholder of a subsidiary	(95,040)	(102,000)	(191,040)	(201,600)
Interest paid	(108,193)	(115,837)	(330,132)	(305,197)
<b>Net cash used in financing activities</b>	<b>(368,163)</b>	<b>(356,277)</b>	<b>(1,043,867)</b>	<b>(1,393,371)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,162,805</b>	<b>(99,799)</b>	<b>717,623</b>	<b>(1,366,718)</b>
Cash and cash equivalents at beginning of period	8,032,103	10,185,437	8,605,551	11,690,547
Effect of exchange rate changes on cash balances held in foreign currencies	(54,625)	146,209	(182,891)	(91,982)
<b>Cash and cash equivalents at end of period (Note i)</b>	<b>9,140,283</b>	<b>10,231,847</b>	<b>9,140,283</b>	<b>10,231,847</b>

**Notes to Statement of Cash Flows**

(i) Cash and cash equivalents comprise:

	<b>Group</b>	
	<b>30 Sep 2012</b>	<b>30 Sep 2011</b>
	\$	\$
Fixed deposits	25,446	24,560
Cash and bank balances	9,114,837	10,207,287
	<b>9,140,283</b>	<b>10,231,847</b>

(ii) Despite registering losses in the current quarter and for the nine months ended 30 September 2012, the improvement in the Group's **net cash from operating activities** as compared to its corresponding periods in 2011 was due to lower inventory held, notwithstanding that our trade receivables balances has increased in accordance with the higher credit sales generated in the current quarter. In addition, we were able to better manage our cash flow by extending our credit terms with our regular suppliers for purchases made.

**Net cash used in investing activities** was mainly related to capital expenditure incurred for the on-going enhancement to the infrastructure and farm facilities in Singapore and overseas.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

1(c) **STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2012 (cont'd)**

**Notes to Statement of Cash Flows (cont'd)**

During the first nine months of 2012, cash proceeds from bank borrowings and advances received from minority shareholders of a subsidiary were utilised for the repayment of bank loans, payment of dividends to the non-controlling shareholder of a subsidiary and the settlement of finance lease liabilities on a monthly basis, as well as the servicing of interest payments. The above, coupled with the payment of final dividends to the shareholders of the Company in April 2012, resulted in **net cash used in financing activities**.

(iii) **Disposal of a subsidiary**

The attributable assets and liabilities of the subsidiary disposed and the cash flow effect of the disposal are set out as follows:-

	<u>Group</u>	
	<u>9 months ended 30 Sep 2012</u>	<u>2011</u>
	\$	\$
Property, plant and equipment	5,108,219	-
Brooder stocks	25,002,496	-
Inventories	2,308,162	-
Breeder stocks	592,144	-
Trade receivables	896,749	-
Other receivables, deposits and prepayments	573,623	-
Cash and bank balances	187,542	-
Trade payables	(1,301,153)	-
Bills payable to banks (unsecured)	(3,483,600)	-
Other payables and accruals	(281,986)	-
Due to		
- holding company	(2,363,340)	-
- related companies	(39,017)	-
- minority shareholders	(140,000)	-
Bank term loans	(470,588)	-
Deferred tax liabilities	(3,547,663)	-
Non-controlling interests	(8,064,554)	-
Net assets disposed	14,977,034	-
Realisation of reserves	1,569,820	-
Loss on disposal of a subsidiary	(9,061,610)	-
Goodwill on consolidation	1,914,756	-
Total consideration	9,400,000	-
Less:		
Cash and bank balances disposed	(187,542)	-
Consideration in the form of brooder stocks	(5,500,000)	-
Deferred cash settlement	(3,900,000)	-
Net cash outflow from disposal of a subsidiary	(187,542)	-



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

1(d)(i) **STATEMENTS OF CHANGES IN EQUITY**

Group	Equity attributable to equity holders of the Company					
	Share capital \$	Accumulated profits \$	Currency translation reserve \$	Total \$	Non-controlling interests \$	Total Equity \$
<b>Balance at 1 Jan 2011</b>	30,772,788	33,009,774	(1,059,241)	62,723,321	10,306,875	73,030,196
<b>Total comprehensive income for the year</b>						
Profit for the year	-	3,465,630	-	3,465,630	135,351	3,600,981
<b>Other comprehensive income</b>						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(484,972)	(484,972)	(51,909)	(536,881)
Total other comprehensive income	-	-	(484,972)	(484,972)	(51,909)	(536,881)
Total comprehensive income for the year	-	3,465,630	(484,972)	2,980,658	83,442	3,064,100
<b>Transactions with owners, recognised directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Payment of first and final dividend	-	(2,270,532)	-	(2,270,532)	-	(2,270,532)
Payment of dividend to non-controlling shareholder of a subsidiary	-	-	-	-	(200,160)	(200,160)
Total transactions with owners	-	(2,270,532)	-	(2,270,532)	(200,160)	(2,470,692)
<b>Balance at 31 Dec 2011</b>	<b>30,772,788</b>	<b>34,204,872</b>	<b>(1,544,213)</b>	<b>63,433,447</b>	<b>10,190,157</b>	<b>73,623,604</b>
<b>Total comprehensive income for the period</b>						
Loss for the period	-	(9,088,345)	-	(9,088,345)	(94,927)	(9,183,272)
<b>Other comprehensive income</b>						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(299,990)	(299,990)	(90,272)	(390,262)
Total other comprehensive income	-	-	(299,990)	(299,990)	(90,272)	(390,262)
Total comprehensive income for the period	-	(9,088,345)	(299,990)	(9,388,335)	(185,199)	(9,573,534)
<b>Transactions with owners, recognised directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Payment of first and final dividend	-	(2,724,638)	-	(2,724,638)	-	(2,724,638)
Payment of dividend to non-controlling shareholder of a subsidiary	-	-	-	-	(191,040)	(191,040)
Total contributions by and distributions to owners	-	(2,724,638)	-	(2,724,638)	(191,040)	(2,915,678)
<b>Changes in ownership interests in subsidiaries</b>						
Disposal of a subsidiary	-	-	1,266,024	1,266,024	(8,228,138)	(6,962,114)
Total changes in ownership interests in subsidiaries	-	-	1,266,024	1,266,024	(8,228,138)	(6,962,114)
Total transactions with owners	-	(2,724,638)	1,266,024	(1,458,614)	(8,419,178)	(9,877,792)
<b>Balance at 30 Sep 2012</b>	<b>30,772,788</b>	<b>22,391,889</b>	<b>(578,179)</b>	<b>52,586,498</b>	<b>1,585,780</b>	<b>54,172,278</b>



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

1(d)(i) **STATEMENTS OF CHANGES IN EQUITY (cont'd)**

Company	Share capital \$	Accumulated profits \$	Total \$
<b>Balance at 1 Jan 2011</b>	30,772,788	17,217,641	47,990,429
<b>Total comprehensive income for the year</b>			
Profit for the year	-	1,408,609	1,408,609
<i>Other comprehensive income</i>			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,408,609	1,408,609
<b>Transactions with owners, recognised directly in equity</b>			
<i>Contributions by and distributions to owners</i>			
Payment of first and final dividend	-	(2,270,532)	(2,270,532)
Total transactions with owners	-	(2,270,532)	(2,270,532)
<b>Balance at 31 Dec 2011</b>	30,772,788	16,355,718	47,128,506
<b>Total comprehensive income for the period</b>			
Profit for the period	-	1,152,985	1,152,985
<i>Other comprehensive income</i>			
Total other comprehensive income	-	-	-
Total comprehensive income for the period	-	1,152,985	1,152,985
<b>Transactions with owners, recognised directly in equity</b>			
<i>Contributions by and distributions to owners</i>			
Payment of first and final dividend	-	(2,724,638)	(2,724,638)
Total transactions with owners	-	(2,724,638)	(2,724,638)
<b>Balance at 30 Sep 2012</b>	30,772,788	14,784,065	45,556,853

1(d)(ii) **CHANGES IN COMPANY'S SHARE CAPITAL**

Share capital	Number of shares	\$
<b>Ordinary shares issued and fully paid</b>		
Balance as at 1 Jan 2012 and 30 Sep 2012	454,106,350	30,772,788

There was no movement in the issued and paid-up capital of the Company since 31 December 2011.

There were no outstanding convertibles as at 30 September 2012 (30/9/2011: Nil).

The Company did not hold any treasury shares as at 30 September 2012 (30/09/2011: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the nine months ended 30 September 2012.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

1(e) **NEGATIVE ASSURANCE CONFIRMATION ON INTERIM FINANCIAL RESULTS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL**

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the third quarter and nine months ended 30 September 2012 to be false or misleading in any material aspect.

On behalf of the Board of Directors

**KENNY YAP KIM LEE**  
Executive Chairman and  
Managing Director

**ALVIN YAP AH SENG**  
Deputy Managing Director

Singapore  
17 October 2012

2 **AUDIT**

The financial statements have not been audited or reviewed by the Company's auditors.

3 **AUDITORS' REPORT**

Not applicable

4 **ACCOUNTING POLICIES**

Other than the adoption of the new and revised Financial Reporting Standards (FRS) which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2011.

5 **CHANGES IN ACCOUNTING POLICIES**

The adoption of the new and revised FRSs is assessed to have no material impact to the results of the Group and of the Company for the year ending 31 December 2012.

6 **(LOSS) EARNINGS PER ORDINARY SHARE**

	<b><u>Group</u></b>		<b><u>Group</u></b>	
	<b><u>3 months ended 30 Sep</u></b>		<b><u>9 months ended 30 Sep</u></b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
(Loss) Earnings Per Ordinary Share (based on consolidated net (loss) profit attributable to equity holders)				
- on weighted average number of ordinary shares on issue (cents)	(2.23)	0.13	(2.00)	0.57
- on a fully diluted basis (cents)	(2.23)	0.13	(2.00)	0.57

(Loss) Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 454,106,350 (30/9/2011: 454,106,350).

There is no difference between the basic and diluted earnings per share.





**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2012</u>	<u>31 Dec 2011</u>	<u>30 Sep 2012</u>	<u>31 Dec 2011</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	11.93	16.21	10.03	10.38

Net asset value per share is computed based on the number of shares in issue as at 30 September 2012 of 454,106,350 (31/12/2011: 454,106,350).

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

**9 months 2012 vs 9 months 2011**

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>9 months ended 30 Sep 2012</u>	<u>2011</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	28,467	35,355	(6,888)	(19.5)
Accessories	27,656	25,145	2,511	10.0
Plastics	8,491	8,525	(34)	(0.4)
	<u>64,614</u>	<u>69,025</u>	<u>(4,411)</u>	<u>(6.4)</u>

For the nine months ended 30 September 2012, the ornamental fish and accessories activities continued to be our core activities, which together accounted for almost 87% of total revenue. Our revenue decreased by approximately \$4.4 million or 6.4% from \$69.0 million for the nine months ended 30 September 2011 to \$64.6 million for the nine months ended 30 September 2012.

On a geographical basis, revenue contribution from Singapore and overseas dipped by 12.1% and 3.8% respectively in the first nine months of 2012 as compared to its corresponding period in 2011.

**3Q 2012 vs 3Q 2011**

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>3Q 2012</u>	<u>3Q 2011</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	8,797	10,690	(1,893)	(17.7)
Accessories	10,123	8,152	1,971	24.2
Plastics	2,766	2,680	86	3.2
	<u>21,686</u>	<u>21,522</u>	<u>164</u>	<u>0.8</u>

Despite higher revenue contribution from our accessories and plastic business activities, our revenue increased marginally by approximately \$0.2 million or 0.8% in the 3<sup>rd</sup> quarter of 2012 as compared to its corresponding period in 2011 mainly due to the substantial reduction in ornamental fish revenue registered during the current quarter.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

8 **REVIEW OF GROUP PERFORMANCE (cont'd)**

(a) **Revenue (cont'd)**

**3Q 2012 vs 3Q 2011 (cont'd)**

**Fish**

During the current quarter, although the purchasing sentiments from the challenging European markets have retrieved gradually, it has not been restored completely. Nonetheless, the reduction in our ornamental fish revenue by approximately \$1.9 million or 17.7% in the 3<sup>rd</sup> quarter of 2012, as compared to its corresponding period in 2011, was mainly due to the significant decrease in our revenue from Dragon Fish as a result of the intense price competition caused by the oversupply of Dragon Fish, as mentioned in our previous quarters' results announcement. With the setting up of many new fish farms in Malaysia focusing in the production of Dragon Fish, the unexpected surge in the supply of Dragon Fish since the beginning of the year has resulted in a swift decline in its selling price. This continued to affect our overall ornamental fish revenue in the current quarter.

The above reduction was partially offset by the revenue contribution from our newly set up subsidiary in Indonesia, as well as our continuous effort to increase our export of ornamental fish to more customers and countries around the world from Singapore, Malaysia and Thailand.

**Accessories**

The reduction in revenue contribution, following the disposal of our Guangzhou factory in December 2011, was offset by higher revenue generated from our accessories export sales. As mentioned in our earlier announcements, with our accessories business being more export-oriented, we managed to leverage on our Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. Our subsidiaries in Malaysia, Thailand and China also managed to continue expanding their distribution network in those countries to capture more sales; hence, registering revenue of \$10.1 million in the current quarter for this business segment, which is approximately \$2.0 million or 24.2% higher than its corresponding period in 2011.

**Plastics**

Revenue from plastics business remained consistent in the current quarter, comparable to that of the corresponding period in 2011.

**3Q 2012 vs 2Q 2012**

	Group		Increase (Decrease)	
	3Q 2012 \$'000	2Q 2012 \$'000		
Fish	8,797	10,010	(1,213)	(12.1)
Accessories	10,123	9,496	627	6.6
Plastics	2,766	2,848	(82)	(2.9)
	21,686	22,354	(668)	(3.0)

Our revenue decreased by approximately \$0.7 million or 3.0% from \$22.4 million in the 2<sup>nd</sup> quarter of 2012 to \$21.7 million in the 3<sup>rd</sup> quarter of 2012 mainly due to the decrease in ornamental fish revenue during the current quarter as compared to the previous quarter.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

8 **REVIEW OF GROUP PERFORMANCE (cont'd)**

(a) **Revenue (cont'd)**

**3Q 2012 vs 2Q 2012 (cont'd)**

**Fish**

Despite the tumbling selling prices of Dragon Fish, with our enhanced marketing effort, we managed to sell more quantity of these fish during the current quarter mainly to our Northeast Asian markets, especially China, where we have a robust market share, a widening distribution network and a strong brand identity. However, with the shift of the value chain of Dragon Fish from breeders to distributors, our Dragon Fish breeding farm in Malaysia was affected by the deteriorating selling prices and eroded margins; hence, resulting in a hefty reduction in its revenue contribution in the current quarter. Accordingly, our ornamental fish revenue plunged by approximately \$1.2 million or 12.1% in the current quarter as compared to the previous quarter.

**Accessories**

Revenue from our accessories activities continued its growth momentum into the 3<sup>rd</sup> quarter of 2012. The increase in accessories revenue on a quarter-on-quarter basis was mainly as a result of better revenue contributions from our export sales as mentioned earlier.

**Plastics**

Revenue from our plastics business remained consistent in the current quarter, comparable to that of the previous quarter.

(b) **Profitability**

**9 months 2012 vs 9 months 2011**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>9 months ended 30 Sep</b>			
	<b>2012</b>	<b>2011</b>	<b>\$'000</b>	<b>%</b>
	<b>\$'000</b>	<b>\$'000</b>		
Fish	148	3,185	(3,037)	(95.4)
Accessories	1,374	1,476	(102)	(6.9)
Plastics	703	737	(34)	(4.6)
Unallocated corporate expenses	(1,732)	(1,720)	(12)	(0.7)
	<u>493</u>	<u>3,678</u>	<u>(3,185)</u>	<u>(86.6)</u>
Loss on disposal of a subsidiary	(9,061)	-	(9,061)	-
Impairment loss on investment in an associate	(255)	-	(255)	-
	<u>(8,823)</u>	<u>3,678</u>	<u>(12,501)</u>	<u>(339.9)</u>

With lower revenue contribution registered, our operating profit decreased significantly by \$3.2 million or 86.6% from \$3.7 million for the nine months ended 30 September 2011 to approximately \$0.5 million for the nine months ended 30 September 2012. Loss after taxation attributable to equity holders amounting to approximately \$9.2 million for the nine months ended 30 September 2012 was mainly due to the significant reduction in profit contribution from our ornamental fish business, coupled with a one-off investment loss as a result of the divestment in a subsidiary as well as impairment loss incurred in relation to the investment in an associate.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

8 **REVIEW OF GROUP PERFORMANCE (cont'd)**

(b) **Profitability (cont'd)**

**3Q 2012 vs 3Q 2011**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>3Q 2012 \$'000</b>	<b>3Q 2011 \$'000</b>	<b>\$'000</b>	<b>%</b>
Fish	(626)	658	(1,284)	(195.1)
Accessories	291	604	(313)	(51.8)
Plastics	222	249	(27)	(10.8)
Unallocated corporate expenses	(603)	(634)	31	4.9
	<b>(716)</b>	<b>877</b>	<b>(1,593)</b>	<b>(181.6)</b>

**Fish**

The losses incurred by our ornamental fish business in the current quarter of approximately \$0.6 million were mainly due to the following factors:-

- Significantly lower revenue registered as well as the intense price competition caused by the oversupply of Dragon Fish as mentioned earlier. As a result of the swift decline in its selling price, coupled with the gradual increase in overall operational costs, our conscientious efforts made to retain our market share has sliced off some profitability from our ornamental fish business as profit margins from the sales of these fish were dilapidated.
- The fair value of our breeder stocks as at 30 September 2012, which was determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier, was approximately \$0.2 million lower than that of the previous year. This has a negative impact on the profitability of the ornamental fish business in the current quarter.

**Accessories**

The reliant of our accessories export business continued to turn in healthy revenue in the 3<sup>rd</sup> quarter of 2012. However, the difference in sales mix, as well as our on-going efforts to capture more sales has affected the profit margins of our accessories business during the current quarter as compared to its corresponding period in 2011.

**Plastics**

Operating profit from our plastics activities remained relatively constant on a year-on-year basis, which is in line with the stable revenue contribution from this business segment.

**Unallocated corporate expenses**

These were staff costs and administrative expenses incurred in relation to the overseeing of both the Group's local and overseas operations.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

8 **REVIEW OF GROUP PERFORMANCE (cont'd)**

(b) **Profitability (cont'd)**

**3Q 2012 vs 2Q 2012**

	<u>Group</u>		<b>Increase (Decrease)</b>	
	<b>3Q 2012 \$'000</b>	<b>2Q 2012 \$'000</b>	<b>\$'000</b>	<b>%</b>
Fish	(626)	324	(950)	(293.2)
Accessories	291	596	(305)	(51.2)
Plastics	222	220	2	0.9
Unallocated corporate expenses	(603)	(523)	(80)	(15.3)
	<u>(716)</u>	<u>617</u>	<u>(1,333)</u>	<u>(216.0)</u>

**Fish**

The loss incurred by our ornamental fish business of approximately \$0.6 million in the current quarter was mainly as a result of the declining selling prices and eroded margins from the Dragon Fish business. The gradual increase in overall operational costs, our conscientious efforts made to retain our market share have also sliced off some profitability.

In addition, the lower valuation of our breeder stocks as at 30 September 2012 by approximately \$0.2 million has a negative impact on the profitability of the ornamental fish business in the current quarter.

**Accessories**

Despite the increase in revenue contributions in the current quarter, the difference in sales mix, as well as our on-going efforts to capture more sales, has diminished the profitability of our accessories business for the current quarter as compared to the previous quarter.

**Plastics**

Despite the marginal decline in revenue contribution, the consistent profitability generated from our plastics business in the 3<sup>rd</sup> quarter of 2012 as compared to the previous quarter was mainly due to the difference in sales mix.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

Our Group's growth in FY 2012 depends on:

- recovery of the economic situation in Europe;
- escalation of our export of aquarium and pet accessories;
- restructuring and streamlining of our breeding and sales of Dragon Fish;
- increase in our cash flow generation; and
- expansion of our regional domestic distribution network.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

10 **PROSPECTS (cont'd)**

The long term prospects of our Group are:

- to be the world's Number 1 ornamental fish exporter;
- to improve revenue contribution from pet accessories;
- to have the widest distribution network in China and India;
- to strengthen our commitment and continue our investment in research & development ("R&D");
- to be a debt-free and high dividend payout company;
- to be able to change in accordance with the changing environment and to continue to differentiate ourselves; and
- to stay focused in whatever we do.

More details on the prospects of the Group were included in our Full Year Financial Statements and Dividend Announcement dated 11 January 2012.

Moving into Year 2012, our Group has experienced an unprecedented business challenge for our ornamental fish business segment. Our export of ornamental fish to the European markets was affected by the Europe's economic woes. Despite the fact that our business activities are relatively resilient and recession proof, this prolonged uncertainty on the Europe economy has dampened consumers' confidence extensively. The situation got worse since the beginning of this year.

We believe that the outlook of the global economy is dim and circumstances are going to be tough for the rest of the year. However, Qian Hu is poised to further strengthen its export capability once the market recovers. We currently export ornamental fish from Singapore, Malaysia, Thailand, China and Indonesia to more than 80 countries around the world. When our newly set up export hub in Jakarta is fully operational and starts to play a more considerable role in revenue contribution, our Group will be on our way to become the biggest exporting ornamental fish company in the world.

As for our Dragon Fish business, due to the oversupply of mass market Dragon Fish which has led to a decline in its selling price, its profit margin has deteriorated hastily within a couple of months. The value chain of the Dragon Fish business has since shifted from breeders to distributors. With the view that the level of intense competition in the Dragon Fish business will continue to aggravate, we have on 18 July 2012 entered into a Memorandum of Understanding (MOU) to dispose of the Group's entity shareholdings in Kim Kang Aquaculture Sdn Bhd ("Kim Kang"), our 65% owned Malaysia-based subsidiary dealing with the breeding of Dragon Fish. The Sale and Purchase Agreement in relation to the disposal was signed on 17 October 2012. After the disposal of Kim Kang, our Group will concentrate on the production of high premium Dragon Fish in Singapore. The disposal also unlocks the value of the assets in Kim Kang and allows us to rationalise our financial and capital resources. The cash proceeds will be redeployed to reduce bank borrowings as well as for the payment of a special dividend in October 2013. More efforts can also be redirected to expand the distribution network so as to increase the Dragon Fish sales to the Asian markets, especially China.

Nevertheless, our Group's other business segments; such as the distribution of aquarium and pet accessories and our plastic business remain resilient and will continue to generate respectable profit margins and healthy cash flow. We have also managed to capitalise on the experience of internal resources and leverage on relevant external expertise in developing a series of newly launched innovative aquarium products, which have received positive and encouraging responses from both the Asian and Western markets. In just a matter of time, we envisage that Qian Hu will truly be a knowledge-based and technologically driven company with marketing capabilities.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

10 **PROSPECTS (cont'd)**

Our Group's financial performance for the 3<sup>rd</sup> quarter of 2012 was adversely affected by investment losses, coupled with the implications on the restructuring of our Dragon Fish business. Barring any unforeseen circumstances, we should perform better in the 4<sup>th</sup> quarter of 2012.

11 **DIVIDEND**

No interim dividend for the nine months ended 30 September 2012 is recommended (30/9/2011: Nil).

As mentioned in paragraph 10, in connection with the disposal of Kim Kang, the Directors has recommended the payment of a special dividend of 0.5 Singapore cents per ordinary share (one-tier tax exempt) in October 2013, amounting to a cash payout of approximately \$2.3 million.

12 **INTERESTED PERSON TRANSACTIONS**

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

During the financial period, there were interested person transactions based on terms agreed between the parties as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2012</b>	<b>30 Sep 2011</b>	<b>30 Sep 2012</b>	<b>30 Sep 2011</b>
	\$	\$	\$	\$
Rental paid to a non-controlling shareholder of a subsidiary	14,240	26,081	-	-
Fees paid to a company in which a director has an interest	14,500	-	14,500	-
Guarantee fee paid to a major shareholder of the Company *	44,401	-	44,401	-
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

\* With effect from January 2012, the Group and the Company is charged a guarantee fee of 0.5% per annum on the average balance of the outstanding amounts due from GZQH, a former subsidiary. The guarantee fee is payable to a major shareholder of the Company, for guaranteeing the payment of the outstanding amounts.

Except for the above, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the third quarter and the nine months ended 30 September 2012.

13 **SEGMENT INFORMATION**

(a) **Business segments**

The Group's operating segments are its strategic business units which offer different products and are managed separately. The reportable segment presentation is based on the Group's management and internal reporting structure used for its strategic decision-making purposes.





**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

13 **SEGMENT INFORMATION (cont'd)**

(a) **Business segments (cont'd)**

The Group's activities comprise the following reportable segments:

- (i) Fish - includes fish farming, breeding, distribution and trading of ornamental fish;
- (ii) Accessories - includes manufacturing and distribution of aquarium and pet accessories;
- (iii) Plastics - includes manufacturing and distribution of plastic bags; and
- (iv) Others - includes Corporate Office and consolidation adjustments which are not directly attributable to a particular business segment above.

Group	9 months ended 30 Sep 2012				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>Revenue</b>					
External revenue	28,467	27,656	8,491	-	64,614
Inter-segment revenue	1,828	6,011	99	(7,938)	-
<b>Total Revenue</b>	<b>30,295</b>	<b>33,667</b>	<b>8,590</b>	<b>(7,938)</b>	<b>64,614</b>
<b>Results</b>					
EBITDA *	1,824	2,051	770	(1,600)	3,045
Depreciation and amortisation	(1,527)	(596)	(66)	-	(2,189)
Interest expense	(163)	(35)	(1)	(132)	(331)
Interest income	14	3	-	-	17
	148	1,423	703	(1,732)	542
Loss on disposal of a subsidiary	(9,061)	-	-	-	(9,061)
Impairment loss	-	(255)	-	-	(255)
Share of losses of associates	-	(49)	-	-	(49)
Profit before tax	(8,913)	1,119	703	(1,732)	(8,823)
Tax expense	(172)	(93)	(95)	-	(360)
<b>Profit for the period</b>	<b>(9,085)</b>	<b>1,026</b>	<b>608</b>	<b>(1,732)</b>	<b>(9,183)</b>
<b>Net profit margin</b>	<b>-0.1%</b>	<b>4.6%</b>	<b>7.2%</b>		<b>0.2%</b>
<b>Assets and Liabilities</b>					
Segment assets	31,776	39,171	3,930	5,920	80,797
Investments in associates	-	703	-	-	703
Segment liabilities	4,999	6,451	1,767	13,408	26,625
<b>Other Segment Information</b>					
Expenditures for non-current assets **	784	378	33	-	1,195
Other non-cash items:					
Bad trade receivables written off	4	-	-	-	4
Gain on disposal of property, plant and equipment	(38)	(22)	-	-	(60)
Property, plant and equipment written off	2	1	1	-	4
Allowance for					
- doubtful trade receivables	134	191	-	-	325
- inventory obsolescence	-	15	-	-	15
Change in fair value less estimated point-of-sale costs	8	-	-	-	8

\* EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation.

\*\* This includes capital expenditure and additions to other non-current assets.





**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

13 **SEGMENT INFORMATION (cont'd)**

(a) **Business segments (cont'd)**

Group	9 months ended 30 Sep 2011				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>Revenue</b>					
External revenue	35,355	25,145	8,525	-	69,025
Inter-segment revenue	4,185	8,496	107	(12,788)	-
<b>Total Revenue</b>	<b>39,540</b>	<b>33,641</b>	<b>8,632</b>	<b>(12,788)</b>	<b>69,025</b>
<b>Results</b>					
EBITDA *	4,759	2,198	814	(1,617)	6,154
Depreciation and amortisation	(1,413)	(615)	(76)	-	(2,104)
Interest expense	(166)	(35)	(1)	(103)	(305)
Interest income	5	2	-	-	7
	3,185	1,550	737	(1,720)	3,752
Share of losses of associates	-	(74)	-	-	(74)
Profit before tax	3,185	1,476	737	(1,720)	3,678
Tax expense	(438)	(234)	(99)	-	(771)
<b>Profit for the period</b>	<b>2,747</b>	<b>1,242</b>	<b>638</b>	<b>(1,720)</b>	<b>2,907</b>
<b>Net profit margin</b>	<b>7.8%</b>	<b>4.9%</b>	<b>7.5%</b>		<b>4.2%</b>
<b>Assets and Liabilities</b>					
Segment assets	65,064	35,330	3,801	2,985	107,180
Investments in associates	-	1,030	-	-	1,030
Segment liabilities	15,688	4,666	1,830	12,386	34,570
<b>Other Segment Information</b>					
Expenditures for non-current assets **	716	427	68	-	1,211
Other non-cash items:					
Bad trade receivables					
- written off	-	1	-	-	1
- recovered	(5)	-	-	-	(5)
Gain on disposal of property, plant and equipment	-	(13)	(22)	-	(35)
Property, plant and equipment written off	2	1	1	-	4
Allowance for					
- doubtful trade receivables	151	110	63	-	324
- inventory obsolescence	-	115	-	-	115

(b) **Geographical segments**

Geographical segments are analysed by four principal geographical areas, namely Singapore, Asia, Europe and Others (i.e. the rest of the world).

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers which the sales are made to regardless of where the sales originate. Segment non-current assets and total assets are based on the geographical location of the assets.



**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. : 199806124N)

13 **SEGMENT INFORMATION (cont'd)**

(b) **Geographical segments (cont'd)**

Group	Revenue		Segment non-current assets		Segment assets	
	9 months ended 30 Sep		9 months ended 30 Sep		9 months ended 30 Sep	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	18,807	21,394	14,084	9,199	62,810	36,061
Other Asian countries	32,636	33,119	2,180	35,581	17,574	70,403
Europe	6,621	7,524	413	716	413	716
Others	6,550	6,988	-	-	-	-
<b>Total</b>	<b>64,614</b>	<b>69,025</b>	<b>16,677</b>	<b>45,496</b>	<b>80,797</b>	<b>107,180</b>

(c) **Major customers**

There are no customers contributing more than 10 percent to the revenue of the Group.

14 **BREAKDOWN OF REVENUE**

Revenue (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
<b>3Q 2012</b>				
Singapore (including domestic sales & sales to Singapore)	1,308	1,986	2,691	5,985
Overseas (including export to & sales in overseas)	7,489	8,137	75	15,701
<b>Total revenue</b>	<b>8,797</b>	<b>10,123</b>	<b>2,766</b>	<b>21,686</b>
<b>3Q 2011</b>				
Singapore	2,220	1,877	2,631	6,728
Overseas	8,470	6,275	49	14,794
<b>Total revenue</b>	<b>10,690</b>	<b>8,152</b>	<b>2,680</b>	<b>21,522</b>
<b>9 months ended 30 Sep 2012</b>				
Singapore (including domestic sales & sales to Singapore)	4,562	6,090	8,155	18,807
Overseas (including export to & sales in overseas)	23,905	21,566	336	45,807
<b>Total revenue</b>	<b>28,467</b>	<b>27,656</b>	<b>8,491</b>	<b>64,614</b>
<b>9 months ended 30 Sep 2011</b>				
Singapore	7,352	5,675	8,367	21,394
Overseas	28,003	19,470	158	47,631
<b>Total revenue</b>	<b>35,355</b>	<b>25,145</b>	<b>8,525</b>	<b>69,025</b>

**BY ORDER OF THE BOARD**

Kenny Yap Kim Lee  
Executive Chairman and Managing Director  
17 October 2012