



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

FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2011**

	Note	Group		Change %
		3 months ended 31 Mar		
		2011 \$'000	2010 \$'000	
Revenue		24,154	23,237	3.9
Cost of sales		(16,434)	(15,835)	3.8
Gross profit		7,720	7,402	4.3
Other operating income	i	53	38	39.5
		7,773	7,440	4.5
Selling & distribution expenses	ii	(393)	(461)	(14.8)
General & administrative expenses	ii	(5,869)	(5,070)	15.8
Results from operating activities	iii	1,511	1,909	(20.8)
Financial income	iv	1	1	-
Financial expenses	iv	(87)	(128)	(32.0)
		1,425	1,782	(20.0)
Share of profits of associates		11	11	-
Profit before income tax		1,436	1,793	(19.9)
Income tax expense	v	(254)	(259)	(1.9)
Profit for the period		1,182	1,534	(22.9)
Attributable to:				
Equity holders of the Company		1,008	1,412	(28.6)
Non-controlling interests		174	122	42.6
Profit for the period		1,182	1,534	(22.9)
Gross profit margin		32.0%	31.9%	
Net profit margin		4.9%	6.6%	
Effective tax rate		17.7%	14.4%	

STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2011

Profit for the period		1,182	1,534	(22.9)
Other comprehensive income				
Translation differences relating to financial statements of foreign subsidiaries, net of tax		(306)	1,374	(122.3)
Other comprehensive income for the period, net of tax		(306)	1,374	(122.3)
Total comprehensive income for the period		876	2,908	(69.9)
Attributable to:				
Equity holders of the Company		800	2,340	(65.8)
Non-controlling interests		76	568	(86.6)
Total comprehensive income for the period		876	2,908	(69.9)



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Notes to Income Statement

(i) Other operating income

The increase in other operating income in the current quarter as compared to the corresponding period in 2010 was mainly attributable to the gain on disposal of property, plant and equipment of \$14K (31/3/10: \$1K).

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

The increase in operating expenses in the current quarter by approximately \$0.73 million as compared to its corresponding period in 2010, was mainly due to higher personnel expenses incurred of approximately \$0.46 million as a result of annual salary revision and the increase in overall headcount of the Group. This was in line with the higher revenue contributions and the growth in the Group's operations. In addition, there was an increase in allowance made for doubtful trade receivables of approximately \$0.11 million and decrease of exchange gain of \$0.18 million in the 1st quarter of 2011.

(iii) Profit from operations

This is determined after charging (crediting) the following:

	Group	
	3 months ended 31 Mar	
	2011	2010
	\$'000	\$'000
Auditors' remuneration		
- auditors of the Company	18	18
- other auditors	6	7
Non-audit fees		
- other auditors	5	7
Directors' fees		
- directors of the Company	15	15
Directors' remuneration		
- directors of the Company	267	314
- directors of subsidiaries	150	138
Bad trade receivables		
- written off	-	6
- recovered	-	(1)
Depreciation of		
- property, plant and equipment	567	531
- brooder stocks	165	169
Property, plant and equipment written off	2	10
Gain on disposal of property, plant and equipment	(14)	(1)
Allowance for (Write back of)		
- doubtful trade receivables	127	19
- inventory obsolescence	-	(58)
Operating lease expenses	315	277
Personnel expenses *	3,457	2,994
Exchange gain, net	(97)	(276)

* Include directors' remuneration.



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Notes to Income Statement (cont'd)

(iv) **Financial income**
Financial expenses

	Group	
	3 months ended 31 Mar	
	2011	2010
	\$'000	\$'000
Interest expense		
- bank loans and overdrafts	52	74
- bills payable	26	45
- finance lease liabilities	9	9
	87	128
Interest income		
- bank deposits	(1)	(1)
Net financial expenses	86	127

The reduction in interest expenses by 32.0% in the current quarter as compared to its corresponding period in 2010 was mainly due to lower interest rates charged by the financial institutions as well as a reduction in the amount of bank borrowings outstanding during the current reporting period.

(v) **Income tax expense**

The effective tax rate of 17.7% registered for the current quarter was higher than the amount obtained by applying the statutory tax rate of 17% on profit before taxation mainly due to losses incurred by some subsidiaries which cannot be offset against profits earned by other companies in the Group and the varying statutory tax rates of different countries in which the Group operates.

On the other hand, the effective tax charge for the 1st quarter of 2010 of 14.4% was mainly due to tax incentives granted for qualifying expenditures and overprovision made in respect of prior years of approximately \$50K.



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

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	\$	\$	\$	\$
Equity attributable to equity holders of the Company				
Share capital	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	32,750,107	31,950,533	17,850,588	17,217,641
	63,522,895	62,723,321	48,623,376	47,990,429
Non-controlling Interests	10,283,038	10,306,875	-	-
Total Equity	73,805,933	73,030,196	48,623,376	47,990,429
Non-Current Assets				
Property, plant and equipment	13,451,796	13,783,353	5,657,916	5,872,096
Brooder stocks	29,954,870	30,249,743	3,033,297	3,050,422
Investments in subsidiaries	-	-	12,012,586	12,012,586
Investments in associates	1,114,198	1,103,239	1,215,200	1,215,200
Intangible assets	2,308,668	2,308,668	343,048	343,048
Current Assets				
Inventories	25,717,128	24,083,701	6,486,502	6,801,252
Breeder stocks	1,283,395	1,283,395	426,195	426,195
Trade receivables	18,689,970	19,181,907	8,382,636	8,914,446
Other receivables, deposits and prepayments	2,960,879	2,295,924	1,170,890	668,271
Due from				
- subsidiaries (trade)	-	-	19,588,669	18,417,476
- subsidiaries (non-trade)	-	-	4,000,691	3,739,571
- associates (trade)	1,368,268	1,428,151	-	15,208
Fixed deposits	24,560	24,560	24,560	24,560
Cash and bank balances	11,229,344	11,665,987	5,390,020	6,078,746
	61,273,544	59,963,625	45,470,163	45,085,725
Current Liabilities				
Trade payables	8,988,596	8,445,380	3,257,227	3,262,353
Bills payable to banks (unsecured)	4,196,577	4,362,995	340,338	572,412
Other payables and accruals	4,052,517	4,491,483	2,539,944	3,117,915
Due to				
- subsidiaries (trade)	-	-	74,951	63,004
- subsidiaries (non-trade)	-	-	1,480,000	1,230,000
- associates (trade)	50,963	-	50,963	-
Finance lease liabilities	167,770	177,886	53,369	57,578
Bank term loans	11,381,400	11,480,104	10,300,000	10,300,000
Current tax payable	819,684	718,673	354,165	314,165
	29,657,507	29,676,521	18,450,957	18,917,427
Net Current Assets	31,616,037	30,287,104	27,019,206	26,168,298
Non-Current Liabilities				
Finance lease liabilities	(327,388)	(372,818)	(101,282)	(114,626)
Deferred tax liabilities	(4,312,248)	(4,329,093)	(556,595)	(556,595)
Net Assets	73,805,933	73,030,196	48,623,376	47,990,429



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

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
Inventory turnover (days)	143	141	72	75
Trade receivables turnover (days)	71	75	62	63
Debt equity ratio	0.46	0.47	0.39	0.41

Notes to Statements of Financial Position

(1) The details of subsidiaries are as follows:

Name of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	%	%	\$	\$
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	65	8,538,391	8,538,391
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd (People's Republic of China)	100	100	1,686,039	1,686,039
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
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
			12,012,586	12,012,586

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



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Notes to Statements of Financial Position (cont'd)

As announced on 12 January 2011, the Company has entered into a Memorandum of Understanding with three other parties to incorporate a 55% owned subsidiary in Indonesia, P.T. Qian Hu Joe Aquatic Indonesia (“PTQHJ”), to undertake the business in relation to the breeding, rearing, trading, exporting and importing of all kinds of ornamental fish and the trading of aquarium accessories. The Company’s cost of investment in PTQHJ, amounting to approximately \$550K, will be injected into the new company upon the completion of its incorporation work which is currently in progress.

(2) The details of associates are as follows:

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	\$	\$	\$	\$
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
	<u>1,215,200</u>	<u>1,215,200</u>	<u>1,215,200</u>	<u>1,215,200</u>
Share of post-acquisition losses	(101,002)	(111,961)	-	-
	<u>1,114,198</u>	<u>1,103,239</u>	<u>1,215,200</u>	<u>1,215,200</u>

Name of associate	Principal activities	Effective equity held by the Group	
		31 Mar 2011	31 Dec 2010
		%	%
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

(3) Intangible assets comprise:

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	\$	\$	\$	\$
Trademarks/customer acquisition costs	938,333	938,414	921,497	921,497
Product listing fess	196,153	196,153	196,153	196,153
Goodwill on consolidation	1,965,620	1,965,620	-	-
	<u>3,100,106</u>	<u>3,100,187</u>	<u>1,117,650</u>	<u>1,117,650</u>
Less accumulated amortisation	(791,438)	(791,519)	(774,602)	(774,602)
	<u>2,308,668</u>	<u>2,308,668</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.



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Notes to Statements of Financial Position (cont'd)

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 balance is subjected to annual impairment testing.

(4) Inventories comprise:

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	\$	\$	\$	\$
Fish	7,094,623	5,869,770	2,191,274	2,232,362
Accessories	18,013,170	17,667,733	4,555,228	4,828,890
Plastics products - raw materials	405,286	387,369	-	-
Plastics products - finished goods	557,839	512,619	-	-
	26,070,918	24,437,491	6,746,502	7,061,252
Less allowance for inventory obsolescence	(353,790)	(353,790)	(260,000)	(260,000)
	25,717,128	24,083,701	6,486,502	6,801,252

The increase in inventory balance as at 31 March 2011 was mainly due to additional purchases of Dragon Fish made towards the end of March in anticipation of its increasing demand, so as to ensure that there is a consistent supply of Dragon Fish in the following quarters.

(5) Trade receivables comprise:

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	\$	\$	\$	\$
Trade receivables	20,594,518	21,385,406	10,132,949	10,889,881
Less allowance for doubtful trade receivables	(1,978,348)	(2,203,499)	(1,750,313)	(1,975,435)
	18,616,170	19,181,907	8,382,636	8,914,446

Our conscientious effort made in monitoring and collection of trade receivables balances has resulted in the decrease in the amount of trade receivables as at 31 March 2011. Accordingly, the trade receivables turnover days have decreased from 75 days as at 31 December 2010 to 71 days as at 31 March 2011. The Group typically grants existing customers credit terms of 30 to 90 days.

(6) Other receivables, deposits and prepayments comprise:

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	\$	\$	\$	\$
Other receivables	491,538	334,359	318,689	128,730
Deposits	352,869	349,101	60,230	60,230
Prepayments	814,206	596,424	231,741	174,835
Advances to suppliers	461,780	254,479	384,893	251,930
Deposits for purchase of property, plant and equipment	233,584	80,518	175,337	52,546
Tax recoverable	606,902	681,043	-	-
	2,960,879	2,295,924	1,170,890	668,271



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Notes to Statements of Financial Position (cont'd)

The amount of prepayments made as at 31 March 2011 was higher as we have incurred payments for certain expenses at the beginning of the year. Such amounts will be charged to the income statement throughout the current financial year. In addition, the increase in deposits for purchase of property, plant and equipment was in relation to the purchase of related equipment for the on-going infrastructure upgrading work in our Singapore and Thailand farms.

(7) Other payables and accruals comprise:

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	\$	\$	\$	\$
Accrued operating expenses	181,816	254,596	87,223	154,504
Accrued staff costs	869,251	1,577,273	573,600	1,163,831
Other payables	2,195,186	1,992,147	1,796,319	1,706,259
Advance received from customers	806,264	667,467	82,802	93,321
	4,052,517	4,491,483	2,539,944	3,117,915

The reduction of other payables and accruals as at 31 March 2011 was mainly due to the decrease in accrued staff costs as a result of bonus payment made in January 2011.

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

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	\$	\$	\$	\$
Unsecured term loans				
- short-term	10,300,000	10,300,000	10,300,000	10,300,000
- long-term	1,081,400	1,180,104	-	-
	11,381,400	11,480,104	10,300,000	10,300,000

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.21% to 1.40% (31/12/2010: 1.31% to 1.43%) per annum and are repayable within the next 12 months from the reporting date.

The long-term loans, taken by a subsidiary, comprise:

- a 10-year unsecured bank loan of RM2.5 million, bears interest at 7.80% (31/12/2010: 7.80%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- a 5-year unsecured bank loan of RM3.0 million, bears interest at 7.30% (31/12/2010: 7.30%) per annum and is repayable in 60 monthly instalments commencing May 2009.

As at 31 March 2011, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$11.1 million (31/12/2010: \$11.2 million).



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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2011**

	Group	
	3 months ended 31 Mar	
	2011	2010
	\$	\$
Cash flows from operating activities		
Profit before income tax	1,436,396	1,792,881
Adjustments for:		
Bad trade receivables		
- written off	206	6,366
- recoveries	-	(721)
Depreciation of		
- property, plant and equipment	566,615	530,797
- brooder stocks	165,043	169,654
Gain on disposal of property, plant and equipment	(13,598)	(484)
Property, plant and equipment written off	1,621	10,189
Allowance for (Write back of)		
- doubtful trade receivables	126,803	18,500
- inventory obsolescence	-	(58,000)
Share of profits of associates	(10,959)	(10,522)
Interest expense	86,162	128,311
Interest income	(560)	(852)
Operating profit before working capital changes	2,357,729	2,586,119
(Increase) Decrease in:		
Inventories	(1,596,888)	(924,718)
Trade receivables	248,097	795,637
Other receivables, deposits and prepayments	(752,931)	(174,383)
Due from associates (trade)	31,194	102,237
Increase (Decrease) in:		
Trade payables	601,540	196,514
Bills payable to banks	(148,325)	162,670
Other payables and accruals	(424,270)	(1,150,230)
Due to associates (trade)	50,963	-
Cash generated from operating activities	367,109	1,593,846
Payment of income tax	(73,787)	(82,048)
Net cash from operating activities	293,322	1,511,798
Cash flows from investing activities		
Purchase of property, plant and equipment	(302,741)	(318,648)
Proceeds from disposal of property, plant and equipment	13,598	484
Interest received	560	852
Net cash used in investing activities	(288,583)	(317,312)



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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2011 (cont'd)**

	Group	
	3 months ended 31 Mar	
	2011	2010
	\$	\$
Cash flows from financing activities		
Proceeds from issuance of new shares	-	916,046
Repayment of		
- finance lease liabilities	(48,179)	(20,619)
- bank term loans	(93,071)	(436,390)
Payment of dividends to non-controlling shareholder of a subsidiary	(99,600)	(104,160)
Interest paid	(87,405)	(130,934)
Net cash (used in) from financing activities	(328,255)	223,943
Net (decrease) increase in cash and cash equivalents	(323,516)	1,418,429
Cash and cash equivalents at beginning of period	11,690,547	9,846,614
Effect of exchange rate changes on cash balances held in foreign currencies	(113,127)	94,986
Cash and cash equivalents at end of period (Note i)	11,253,904	11,360,029

Notes to Statement of Cash Flows

(i) Cash and cash equivalents comprise:

	Group	
	31 Mar 2011	31 Mar 2010
	\$	\$
Fixed deposits	24,560	24,560
Cash and bank balances	11,229,344	11,335,469
	11,253,904	11,360,029

(ii) Despite our ability to realise the trade receivables balances into cash for the settlement of other payables and accruals, a lower operating profit generated on a year-on-year basis and an increase in inventory balances during the 1st quarter of 2011 has resulted in a reduction in the Group's **net cash from operating activities** during the 1st quarter of 2011 as compared to its corresponding period in 2010.

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.

Net cash used in financing activities in the 1st quarter of 2011 was related to the repayment of bank term loans, payment of dividends to a 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.



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1(d)(i) **STATEMENT 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 \$
Balance at 1 Jan 2010	29,654,922	31,042,392	(1,471,073)	59,226,241	9,993,905	69,220,146
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Issue of new shares	1,117,866	-	-	1,117,866	-	1,117,866
Payment of first and final dividend	-	(2,241,701)	-	(2,241,701)	-	(2,241,701)
Payment of dividend to non-controlling shareholder of a subsidiary	-	-	-	-	(207,360)	(207,360)
Total transactions with owners of the Company	1,117,866	(2,241,701)	-	(1,123,835)	(207,360)	(1,331,195)
Total comprehensive income for the year						
Profit for the year	-	4,209,083	-	4,209,083	308,075	4,517,158
<i>Other comprehensive income</i>						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	411,832	411,832	212,255	624,087
Total other comprehensive income	-	-	411,832	411,832	212,255	624,087
Total comprehensive income for the year	-	4,209,083	411,832	4,620,915	520,330	5,141,245
Balance at 31 Dec 2010	30,772,788	33,009,774	(1,059,241)	62,723,321	10,306,875	73,030,196
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Payment of dividend to non-controlling shareholder of a subsidiary	-	-	-	-	(99,600)	(99,600)
Total transactions with owners of the Company	-	-	-	-	(99,600)	(99,600)
Total comprehensive income for the year						
Profit for the year	-	1,007,836	-	1,007,836	173,794	1,181,630
<i>Other comprehensive income</i>						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(208,262)	(208,262)	(98,031)	(306,293)
Total other comprehensive income	-	-	(208,262)	(208,262)	(98,031)	(306,293)
Total comprehensive income for the year	-	1,007,836	(208,262)	799,574	75,763	875,337
Balance at 31 Mar 2011	30,772,788	34,017,610	(1,267,503)	63,522,895	10,283,038	73,805,933



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

Company	Share capital \$	Accumulated profits \$	Total \$
Balance at 1 Jan 2010	29,654,922	16,163,180	45,818,102
Transactions with owners of the Company, recognised directly in equity			
<i>Contributions by and distributions to owners of the Company</i>			
Issue of new shares	1,117,866	-	1,117,866
Payment of first and final dividend	-	(2,241,701)	(2,241,701)
Total transactions with owners of the Company	<u>1,117,866</u>	<u>(2,241,701)</u>	<u>(1,123,835)</u>
Total comprehensive income for the year			
Profit for the year	-	3,296,162	3,296,162
<i>Other comprehensive income</i>			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>3,296,162</u>	<u>3,296,162</u>
Balance at 31 Dec 2010	<u>30,772,788</u>	<u>17,217,641</u>	<u>47,990,429</u>
Total comprehensive income for the year			
Profit for the year	-	632,947	632,947
<i>Other comprehensive income</i>			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>632,947</u>	<u>632,947</u>
Balance at 31 Mar 2011	<u>30,772,788</u>	<u>17,850,588</u>	<u>48,623,376</u>

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

Share capital	Number of shares	\$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2011 and 31 Mar 2011	<u>454,106,350</u>	<u>30,772,788</u>

There was no movement in the issued and paid-up capital of the Company since 31 December 2010.

As at 31 March 2011, there were no outstanding convertibles. The Company had 6,421,596 warrants outstanding as at 31 March 2010 with the rights to subscribe for 6,421,596 new ordinary shares in the capital of the Company before the warrants expired on 17 September 2010.

The Company did not hold any treasury shares as at 31 March 2011 (31/3/2010: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the three months ended 31 March 2011.



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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 first quarter ended 31 March 2011 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
18 April 2011

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 2010.

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 2011.

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

	Group	
	3 months ended 31 Mar	
	2011	2010
EPS (based on consolidated net profit attributable to equity holders)		
- on weighted average number of ordinary shares on issue (cents)	0.22	0.33
- on a fully diluted basis (cents)	0.22	0.32

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 (31/3/2010: 432,381,286).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period adjusted to assume conversion of all potential dilutive ordinary shares of 454,106,350 (31/3/2010: 437,294,780).



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7 **NET ASSET VALUE PER SHARE**

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
Net asset value per share based on existing issued share capital as at the respective dates (cents)	16.25	16.08	10.71	10.57

Net asset value per share is computed based on the number of shares in issue as at 31 March 2011 of 454,106,350 (31/12/2010: 454,106,350).

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

1Q 2011 vs 1Q 2010

	Group		Increase	
	1Q 2011	1Q 2010	\$'000	%
Fish	12,650	12,346	304	2.5
Accessories	8,530	8,070	460	5.7
Plastics	2,974	2,821	153	5.4
	24,154	23,237	917	3.9

Our revenue increased by approximately \$0.9 million or 3.9% in the 1st quarter of 2011 as compared to its corresponding period in 2010. All business activities registered growth in revenue during the current quarter as compared to its corresponding period in 2010.

On a geographical basis, revenue from Singapore and overseas grew by 1.7% and 5.0% respectively in the 1st quarter of 2011 as compared to its corresponding period in 2010.

Fish

With the resumption of the supply of self-bred Dragon Fish from our Malaysia farm after the production was affected by the unprecedented severe hot weather, our Dragon Fish sales continue to grow in tandem with other ornamental fish revenue in the current quarter. Our continuous effort to increase our export of ornamental fish to more customers and countries around the world from Singapore, Malaysia and Thailand, has given rise to the improved ornamental fish revenue in the current quarter as compared to its corresponding period in 2010.

Accessories

As highlighted in our previous announcements, our accessories export business has managed to leverage on the Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. The increase in accessories revenue in the current quarter as compared to its corresponding period in 2010 was mainly as a result of better revenue contributions from our export sales. In addition, our subsidiaries in Malaysia, Thailand and China have managed to continue expanding their distribution network in those countries to capture more sales.



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

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

1Q 2011 vs 1Q 2010 (cont'd)

Plastics

Our revenue from plastics business is experiencing steady growth in the current quarter as compared to that of the corresponding period in 2009 with an enlarged products and customer base.

1Q 2011 vs 4Q 2010

	Group		Increase (Decrease)	
	1Q 2011	4Q 2010		
	\$'000	\$'000	\$'000	%
Fish	12,650	10,153	2,497	24.6
Accessories	8,530	9,138	(608)	(6.7)
Plastics	2,974	2,948	26	0.9
	24,154	22,239	1,915	8.6

Although the revenue from our ornamental fish activities registered healthy growth of \$2.5 million or 24.6% in the 1st quarter of 2011 as compared to the 4th quarter of 2010, the decrease in our accessories revenue of \$0.6 million has resulted in a net increase in our overall revenue by \$1.9 million or 8.6% in the current quarter as compared to the previous quarter.

Fish

During the previous quarter (4Q 2010), our revenue from ornamental fish was affected by multiple whammies, including unstable weather condition earlier in that year which has led to a slow down in the supply of self-bred Dragon Fish; widespread airport closures and flight cancellations over European and North American airspace due to heavy snowfall in December; which we viewed as one-off unforeseen incidences. In addition, the weakening purchasing sentiments from the challenging European markets in anticipation of the curb in the government's budget spending have resulted in a reduction in demand for ornamental fish in that region.

The situation has since alleviated, especially with the stabilisation of the Dragon Fish production towards the end of FY 2010. With the constant demand for our Dragon Fish in the current quarter (1Q 2011), we were able to record improved revenue from the sales of Dragon Fish in both the domestic and overseas markets as compared to that of the previous quarter. In addition, our ornamental fish export sales from Singapore, Malaysia and Thailand were able to continue generating higher revenue with sales to more new markets.

Accessories

Traditionally, during the 1st quarter of each year, there is lower revenue contribution from our China operations, especially from our Guangzhou factory, as they are closed for production during the week-long Chinese New Year holidays. This has attributed to the reduction in accessories revenue in the current quarter as compared to the previous quarter, despite that our subsidiaries in Malaysia and Thailand have managed to expand their distribution network in those countries to capture more sales in the current quarter.

Plastics

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



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

(b) **Profitability**

1Q 2011 vs 1Q 2010

	<u>Group</u>		<u>Increase</u>	
	<u>1Q</u>	<u>1Q</u>	<u>(Decrease)</u>	
	<u>2011</u>	<u>2010</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	1,344	1,613	(269)	(16.7)
Accessories	430	550	(120)	(21.8)
Plastics	259	248	11	4.4
Unallocated corporate expenses	(597)	(618)	21	3.4
	<u>1,436</u>	<u>1,793</u>	<u>(357)</u>	<u>(19.9)</u>

Despite the higher revenue contribution registered, our operating profit in the 1st quarter of 2011 decreased by approximately \$0.4 million or 19.9% as compared to its corresponding period in 2010, with contribution mainly from the ornamental fish business.

Fish

Notwithstanding the higher revenue recorded in the 1st quarter of 2011, our operating profit from ornamental fish decreased by approximately \$0.3 million or 16.7% as compared to its corresponding period in 2010 mainly due to the difference in sales mix recorded in both periods. The weakening purchasing sentiments from the European markets has resulted in the demand for more “bread & butter” fish species, such as swordtail, platy, molly fish and common goldfish etc; instead of paying for higher margin fish species. The reliant of our Dragon Fish business continued to turn in improved revenue and generate healthy profit margins with the resumption of the consistent supply of self-bred Dragon Fish.

In addition, as mentioned in our previous announcement, the stricter EU regulations imposed since 2Q 2010 has affected the regular supply of ornamental fish from certain of our suppliers which led us to explore other “non-traditional” markets for alternative supply of ornamental fish at a higher cost. This has sliced off some profitability of the ornamental fish business.

Accessories

Despite the increase in revenue, the profitability from our accessories business declined in the 1st quarter of 2011 as compared to its corresponding period in 2010. This was mainly due to higher manufacturing and operating costs registered by our Guangzhou factory predominantly as a result of the increase in material costs as well as wage cost following the salary revision so as to comply with the China “minimum wage” policy. Accordingly, its manufactured products yielded a lower profit margin, in spite of the better profit margins contribution from our export of accessories.

Plastics

Despite registering an increase in revenue contribution of \$0.15 million or 5.4%, the operating profit from our plastics activities increased just marginally primarily due to an erosion in profit margin as a result of increasing raw material prices (resins – which fluctuate with the oil prices).

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. The lower corporate expenses reported were due to conscientious effort made to contain operating costs, which was in accordance with the Group’s objective to be more productive and efficient in the long run.



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

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

1Q 2011 vs 4Q 2010

	Group		Increase	
	1Q 2011 \$'000	4Q 2010 \$'000	(Decrease) \$'000	%
Fish	1,344	284	1,060	373.2
Accessories	430	710	(280)	(39.4)
Plastics	259	315	(56)	(17.8)
Unallocated corporate expenses	(597)	(586)	(11)	(1.9)
	<u>1,436</u>	<u>723</u>	<u>713</u>	98.6

The better performance from our ornamental fish business in the 1st quarter of 2011 has resulted in an overall increase in operating profit by approximately \$0.7 million or 98.6% as compared to the previous quarter.

Fish

The surge in the operating profit from our ornamental fish by approximately \$1.1 million in the current quarter as compared to the previous quarter was in line with the higher revenue recorded and the better margin yielded from the sales of our self-bred Dragon Fish and our ornamental fish export business.

Accessories

The decline in profitability from our accessories business in the 1st quarter of 2011 as compared to previous quarter was in line with the lower revenue contribution.

Plastics

Despite registering stable revenue contribution, the operating profit from our plastics activities dipped on a quarter-on-quarter basis, mainly due to higher raw material cost (resins) which has eroded its profit margin.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

Our Group's growth in FY 2011 depends on:

- increase in our export of ornamental fish;
- escalation of our export of aquarium and pet accessories;
- sustained growth in our breeding and sales of Dragon Fish;
- increase in our profitability and cash flow generation; and
- expansion of our regional domestic distribution network.



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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.

The above-mentioned prospects of the Group, which we have previously announced in detail in our Full Year Financial Statements and Dividend Announcement dated 12 January 2011 and as set out on pages 24 to 25 of our Annual Report 2010, are expected to continue to apply in the next quarter.

Barring any unforeseen circumstances, we expect our Group to remain profitable in Year 2011, despite possible fluctuations in our operating profit from quarter to quarter.

11 **DIVIDEND**

No interim dividend for the quarter ended 31 March 2011 is recommended.

12 **RELATED PARTIES & INTERESTED PERSON TRANSACTIONS**

There was no interested person transaction, as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, entered into by the Group or by the Company during the quarter ended 31 March 2011.

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.

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.



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

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

Group	3 months ended 31 Mar 2011				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	12,650	8,530	2,974	-	24,154
Inter-segment revenue	2,327	2,787	34	(5,148)	-
Total Revenue	14,977	11,317	3,008	(5,148)	24,154
Results					
EBITDA *	1,883	736	291	(667)	2,243
Depreciation and amortisation	(496)	(204)	(32)	-	(732)
Interest expense	(43)	(14)	-	(30)	(87)
Interest income	-	1	-	-	1
	1,344	519	259	(697)	1,425
Share of profits of associates	-	11	-	-	11
Profit before income tax	1,344	530	259	(697)	1,436
Income tax expense	(198)	(43)	(13)	-	(254)
Profit for the period	1,146	487	246	(697)	1,182
Net profit margin	9.1%	5.7%	8.3%		4.9%
Assets and Liabilities					
Segment assets	67,602	34,694	3,823	1,984	108,103
Investments in associates	-	1,114	-	-	1,114
Segment liabilities	18,590	3,603	1,793	10,311	34,297
Other Segment Information					
Expenditures for non-current assets **	162	140	1	-	303
Other non-cash items:					
Gain on disposal of property, plant and equipment	-	(14)	-	-	(14)
Property, plant and equipment written off	1	-	1	-	2
Allowance for doubtful trade receivables	87	40	-	-	127

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

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



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

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

Group	3 months ended 31 Mar 2010				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	12,346	8,070	2,821	-	23,237
Inter-segment revenue	736	2,226	46	(3,008)	-
Total Revenue	13,082	10,296	2,867	(3,008)	23,237
Results					
EBITDA *	2,263	754	279	(687)	2,609
Depreciation and amortisation	(468)	(201)	(31)	-	(700)
Interest expense	(83)	(14)	-	(31)	(128)
Interest income	1	-	-	-	1
	1,713	539	248	(718)	1,782
Share of profits of associates	-	11	-	-	11
Profit before income tax	1,713	550	248	(718)	1,793
Income tax expense	(150)	(93)	(16)	-	(259)
Profit for the period	1,563	457	232	(718)	1,534
Net profit margin	12.7%	5.7%	8.2%		6.6%
Assets and Liabilities					
Segment assets	68,662	32,323	3,631	2,434	107,050
Investments in associates	-	1,181	-	-	1,181
Segment liabilities	19,770	3,417	1,632	9,291	34,110
Other Segment Information					
Expenditures for non-current assets **	104	215	-	-	319
Other non-cash items:					
Bad trade receivables					
- written off	6	-	-	-	6
- recovered	(1)	-	-	-	(1)
Gain on disposal of property, plant and equipment	-	(1)	-	-	(1)
Property, plant and equipment written off	10	-	-	-	10
Allowance for					
- doubtful trade receivables	-	19	-	-	19
- inventory obsolescence	-	(58)	-	-	(58)

(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.



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

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

Group	Revenue		Segment non-current assets		Segment assets	
	3 months ended 31 Mar		3 months ended 31 Mar		3 months ended 31 Mar	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	7,269	7,151	9,233	9,971	34,738	34,225
Other Asian countries	10,106	7,306	36,808	40,355	72,576	71,945
Europe	4,011	5,781	789	773	789	880
Others	2,768	2,999	-	-	-	-
Total	24,154	23,237	46,830	51,099	108,103	107,050

(c) **Major customers**

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

14 **BREAKDOWN OF REVENUE**

Group	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
3 months ended 31 Mar 2011				
Singapore (including domestic sales & sales to Singapore)	2,541	1,773	2,955	7,269
Overseas (including export to & sales in overseas)	10,109	6,757	19	16,885
Total Revenue	12,650	8,530	2,974	24,154
3 months ended 31 Mar 2010				
Singapore	2,571	1,835	2,745	7,151
Overseas	9,775	6,235	76	16,086
Total Revenue	12,346	8,070	2,821	23,237

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
18/04/2011