



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

SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **INCOME STATEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2011**

| | Note | Group | | | Group | | |
|--|------|-----------------------|----------------|-------------|-----------------------|----------------|---------------|
| | | 3 months ended 30 Jun | | Change % | 6 months ended 30 Jun | | Change % |
| | | 2011 \$'000 | 2010 \$'000 | | 2011 \$'000 | 2010 \$'000 | |
| Revenue | | 23,349 | 22,734 | 2.7 | 47,503 | 45,971 | 3.3 |
| Cost of sales | | (16,221) | (15,782) | 2.8 | (32,655) | (31,617) | 3.3 |
| Gross profit | | 7,128 | 6,952 | 2.5 | 14,848 | 14,354 | 3.4 |
| Other operating income | i | 37 | 40 | (7.5) | 90 | 78 | 15.4 |
| | | 7,165 | 6,992 | 2.5 | 14,938 | 14,432 | 3.5 |
| Selling & distribution expenses | ii | (347) | (383) | (9.4) | (740) | (844) | (12.3) |
| General & administrative expenses | ii | (5,318) | (5,204) | 2.2 | (11,187) | (10,274) | 8.9 |
| Results from operating activities | iii | 1,500 | 1,405 | 6.8 | 3,011 | 3,314 | (9.1) |
| Financial income | iv | 4 | 1 | 300.0 | 5 | 2 | 150.0 |
| Financial expenses | iv | (103) | (125) | (17.6) | (190) | (253) | (24.9) |
| | | 1,401 | 1,281 | 9.4 | 2,826 | 3,063 | (7.7) |
| Share of losses of associates | v | (36) | (64) | (43.8) | (25) | (53) | (52.8) |
| Profit before income tax | | 1,365 | 1,217 | 12.2 | 2,801 | 3,010 | (6.9) |
| Income tax expense | vi | (274) | (302) | (9.3) | (528) | (561) | (5.9) |
| Profit for the period | | 1,091 | 915 | 19.2 | 2,273 | 2,449 | (7.2) |
| Attributable to: | | | | | | | |
| Equity holders of the Company | | 998 | 950 | 5.1 | 2,006 | 2,362 | (15.1) |
| Non-controlling interests | | 93 | (35) | 365.7 | 267 | 87 | 206.9 |
| Profit for the period | | 1,091 | 915 | 19.2 | 2,273 | 2,449 | (7.2) |
| Gross profit margin | | 30.5% | 30.6% | | 31.3% | 31.2% | |
| Net profit margin | | 4.7% | 4.0% | | 4.8% | 5.3% | |
| Effective tax rate | | 20.1% | 24.8% | | 18.9% | 18.6% | |



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STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2011

| | <u>Group</u> | | | <u>Group</u> | | |
|--|------------------------------|---------------|---------------|------------------------------|---------------|----------------|
| | <u>3 months ended 30 Jun</u> | | <u>Change</u> | <u>6 months ended 30 Jun</u> | | <u>Change</u> |
| | <u>2011</u> | <u>2010</u> | | <u>2011</u> | <u>2010</u> | |
| | <u>\$'000</u> | <u>\$'000</u> | <u>%</u> | <u>\$'000</u> | <u>\$'000</u> | <u>%</u> |
| Profit for the period | 1,091 | 915 | 19.2 | 2,273 | 2,449 | (7.2) |
| Other comprehensive income | | | | | | |
| Translation differences relating to financial statements of foreign subsidiaries, net of tax | (793) | 11 | NM | (1,099) | 1,385 | (179.4) |
| Other comprehensive income for the period, net of tax | (793) | 11 | NM | (1,099) | 1,385 | (179.4) |
| Total comprehensive income for the period | 298 | 926 | (67.8) | 1,174 | 3,834 | (69.4) |
| Attributable to: | | | | | | |
| Equity holders of the Company | 458 | 958 | (52.2) | 1,258 | 3,298 | (61.9) |
| Non-controlling interests | (160) | (32) | 400.0 | (84) | 536 | (115.7) |
| Total comprehensive income for the period | 298 | 926 | (67.8) | 1,174 | 3,834 | (69.4) |

NM: Not Meaningful

Notes to Income Statement

(i) **Other operating income**

The increase in other operating income in 1st half of 2011 as compared to the corresponding period in 2010 was mainly attributable to the gain on disposal of property, plant and equipment of \$16K (30/6/10: \$5K).

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

The increase in operating expenses by approximately \$0.1 million and \$0.81 million in the current quarter and during 1st half of 2011 respectively as compared to the corresponding periods in 2010, was mainly due to higher personnel expenses incurred 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 \$0.15 million during the 1st half of 2011 (increase of \$42K in 2nd quarter 2011) and decrease of exchange gain of \$0.36 million in the 1st half of 2011 (decrease of \$0.18 million in 2nd quarter 2011).



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Notes to Income Statement (cont'd)

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

| | Group | | Group | |
|--|------------------------------|---------------|------------------------------|---------------|
| | 3 months ended 30 Jun | | 6 months ended 30 Jun | |
| | 2011 | 2010 | 2011 | 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Auditors' remuneration | | | | |
| - auditors of the Company | 18 | 18 | 36 | 36 |
| - other auditors | 7 | 6 | 13 | 13 |
| Non-audit fees | | | | |
| - other auditors | 2 | 2 | 7 | 9 |
| Directors' fees | | | | |
| - directors of the Company | 20 | 20 | 35 | 35 |
| Directors' remuneration | | | | |
| - directors of the Company | 268 | 196 | 535 | 510 |
| - directors of subsidiaries | 147 | 145 | 297 | 283 |
| Bad trade receivables recovered | - | - | - | (1) |
| Depreciation of | | | | |
| - property, plant and equipment | 534 | 539 | 1,101 | 1,070 |
| - brooder stocks | 158 | 170 | 323 | 339 |
| Property, plant and equipment written off | 1 | - | 3 | 10 |
| Gain on disposal of property, plant and equipment | (2) | (4) | (16) | (5) |
| Allowance for (Write back of) | | | | |
| - doubtful trade receivables | 52 | 10 | 179 | 29 |
| - inventory obsolescence | 34 | 40 | 34 | (18) |
| Operating lease expenses | 294 | 282 | 609 | 559 |
| Personnel expenses * | 2,926 | 2,991 | 6,383 | 5,985 |
| Exchange gain, net | (57) | (238) | (154) | (514) |

* Include directors' remuneration.

(iv) **Financial income**
Financial expenses

| | Group | | Group | |
|-----------------------------|------------------------------|---------------|------------------------------|---------------|
| | 3 months ended 30 Jun | | 6 months ended 30 Jun | |
| | 2011 | 2010 | 2011 | 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest expense | | | | |
| - bank loans and overdrafts | 55 | 76 | 107 | 150 |
| - bills payable | 40 | 40 | 66 | 85 |
| - finance lease liabilities | 8 | 9 | 17 | 18 |
| | 103 | 125 | 190 | 253 |
| Interest income | | | | |
| - bank deposits | (4) | (1) | (5) | (2) |
| Net financial expenses | 99 | 124 | 185 | 251 |



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Notes to Income Statement (cont'd)

(iv) **Financial income**
Financial expenses (cont'd)

The reduction in interest expenses was mainly due to lower interest rates charged by the financial institutions during the 2nd quarter and 1st half of 2011 as compared to the corresponding periods in 2010.

(v) **Share of losses of associates**

The losses were mainly as a result of lower than expected revenue and profit margins from our associate in the UK during the current quarter. Its sales were affected by the hot weather in the UK and Northern Europe, resulting in retailers focusing on purchasing pond products which our associate does not supply. Nonetheless, with conscientious cost savings measures put in place in the coming quarters, coupled with a stabilised marketing network, its profitability should improve accordingly.

(vi) **Income tax expense**

| | Group | | Group | |
|--|------------------------------|---------------|------------------------------|---------------|
| | 3 months ended 30 Jun | | 6 months ended 30 Jun | |
| | 2011 | 2010 | 2011 | 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current tax | | | | |
| - current year | 250 | 302 | 504 | 611 |
| - under provision in respect of prior year | 18 | 10 | 24 | 10 |
| Deferred tax | | | | |
| - over provision in respect of prior year | - | (10) | - | (60) |
| | 268 | 302 | 528 | 561 |

Despite the tax incentives granted for qualifying expenditures, the effective tax rate registered for the 2nd quarter of 2011 and the half year ended 30 June 2011 were higher than the amount obtained by applying the statutory tax rate of 17% on profit before income tax 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.



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

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 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 | 30,938,366 | 31,950,533 | 16,080,863 | 17,217,641 |
| | 61,711,154 | 62,723,321 | 46,853,651 | 47,990,429 |
| Non-Controlling Interests | 10,123,085 | 10,306,875 | - | - |
| Total Equity | 71,834,239 | 73,030,196 | 46,853,651 | 47,990,429 |
| Non-Current Assets | | | | |
| Property, plant and equipment | 13,381,489 | 13,783,353 | 5,821,633 | 5,872,096 |
| Brooder stocks | 29,147,773 | 30,249,743 | 3,016,172 | 3,050,422 |
| Investments in subsidiaries | - | - | 12,012,586 | 12,012,586 |
| Investments in associates | 1,078,362 | 1,103,239 | 1,215,200 | 1,215,200 |
| Intangible assets | 2,308,668 | 2,308,668 | 343,048 | 343,048 |
| Current Assets | | | | |
| Inventories | 26,618,907 | 24,083,701 | 7,076,985 | 6,801,252 |
| Breeder stocks | 1,283,395 | 1,283,395 | 426,195 | 426,195 |
| Trade receivables | 18,030,377 | 19,181,907 | 8,103,171 | 8,914,446 |
| Other receivables, deposits and prepayments | 3,101,968 | 2,295,924 | 1,207,369 | 668,271 |
| Due from | | | | |
| - subsidiaries (trade) | - | - | 19,712,529 | 18,417,476 |
| - subsidiaries (non-trade) | - | - | 4,164,541 | 3,739,571 |
| - associates (trade) | 1,430,976 | 1,428,151 | 8,149 | 15,208 |
| Fixed deposits | 24,560 | 24,560 | 24,560 | 24,560 |
| Cash and bank balances | 10,160,877 | 11,665,987 | 5,050,432 | 6,078,746 |
| | 60,651,060 | 59,963,625 | 45,773,931 | 45,085,725 |
| Current Liabilities | | | | |
| Trade payables | 7,794,330 | 8,445,380 | 3,067,363 | 3,262,353 |
| Bills payable to banks (unsecured) | 4,482,493 | 4,362,995 | 767,257 | 572,412 |
| Other payables and accruals | 3,947,960 | 4,491,483 | 2,637,371 | 3,117,915 |
| Due to | | | | |
| - subsidiaries (trade) | - | - | 108,710 | 63,004 |
| - subsidiaries (non-trade) | - | - | 1,530,000 | 1,230,000 |
| Finance lease liabilities | 165,702 | 177,886 | 51,369 | 57,578 |
| Bank term loans | 13,063,563 | 11,480,104 | 12,100,000 | 10,300,000 |
| Current tax payable | 756,965 | 718,673 | 421,480 | 314,165 |
| | 30,211,013 | 29,676,521 | 20,683,550 | 18,917,427 |
| Net Current Assets | 30,440,047 | 30,287,104 | 25,090,381 | 26,168,298 |
| Non-Current Liabilities | | | | |
| Finance lease liabilities | (294,091) | (372,818) | (88,774) | (114,626) |
| Deferred tax liabilities | (4,228,009) | (4,329,093) | (556,595) | (556,595) |
| Net Assets | 71,834,239 | 73,030,196 | 46,853,651 | 47,990,429 |



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

| | Group | | Company | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| Inventory turnover (days) | 148 | 141 | 78 | 75 |
| Trade receivables turnover (days) | 71 | 75 | 63 | 63 |
| Debt equity ratio | 0.48 | 0.47 | 0.46 | 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 | |
|---|--|--------------------|--|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 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 expected to be in the 3rd quarter of 2011.

(2) The details of associates are as follows:

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 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 | (136,838) | (111,961) | - | - |
| | <u>1,078,362</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 | |
|---|---|---|--------------------|
| | | 30 Jun 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 | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | \$ | \$ | \$ | \$ |
| Trademarks/customer acquisition costs | 937,930 | 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>3,099,703</u> | <u>3,100,187</u> | <u>1,117,650</u> | <u>1,117,650</u> |
| Less accumulated amortisation | (791,035) | (791,519) | (774,602) | (774,602) |
| | <u>2,308,668</u> | <u>2,308,668</u> | <u>343,048</u> | <u>343,048</u> |



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Notes to Statements of Financial Position (cont'd)

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 balance is subjected to annual impairment testing.

(4) Inventories comprise:

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | \$ | \$ | \$ | \$ |
| Fish | 7,643,057 | 5,869,770 | 2,167,791 | 2,232,362 |
| Accessories | 18,552,782 | 17,667,733 | 5,203,194 | 4,828,890 |
| Plastics products - raw materials | 233,056 | 387,369 | - | - |
| Plastics products - finished goods | 577,802 | 512,619 | - | - |
| | 27,006,697 | 24,437,491 | 7,370,985 | 7,061,252 |
| Less allowance for inventory obsolescence | (387,790) | (353,790) | (294,000) | (260,000) |
| | 26,618,907 | 24,083,701 | 7,076,985 | 6,801,252 |

The increase in inventory balance as at 30 June 2011 was mainly due to additional purchases of Dragon Fish made in anticipation of its increasing demand. This is also to ensure that there is a consistent supply of Dragon Fish in the following quarters.

The increase in accessories inventory balance as at 30 June 2011 was mainly due to higher pet accessories held as well as the increase in raw materials purchases made by our Guangzhou factory for production orders in relation to new products launched in May 2011 at the AQUARAMA trade show. The delivery of these products is due in the 2nd half of 2011.

(5) Trade receivables comprise:

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | \$ | \$ | \$ | \$ |
| Trade receivables | 20,040,610 | 21,385,406 | 9,885,515 | 10,889,881 |
| Less allowance for doubtful trade receivables | (2,010,233) | (2,203,499) | (1,782,344) | (1,975,435) |
| | 18,030,377 | 19,181,907 | 8,103,171 | 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 30 June 2011. Accordingly, the trade receivables turnover days have decreased from 75 days as at 31 December 2010 to 71 days as at 30 June 2011. The Group typically grants existing customers credit terms of 30 to 90 days.



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Notes to Statements of Financial Position (cont'd)

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

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | \$ | \$ | \$ | \$ |
| Other receivables | 346,602 | 334,359 | 223,737 | 128,730 |
| Deposits | 352,846 | 349,101 | 60,430 | 60,230 |
| Prepayments | 945,696 | 596,424 | 233,789 | 174,835 |
| Advances to suppliers | 577,596 | 254,479 | 529,909 | 251,930 |
| Deposit for purchase of property, plant and equipment | 297,869 | 80,518 | 159,504 | 52,546 |
| Tax recoverable | 581,358 | 681,043 | - | - |
| | 3,101,967 | 2,295,924 | 1,207,369 | 668,271 |

The higher amount of other receivables, deposits and prepayments balances as at 30 June 2011 was mainly due to:-

- increase in advances made to suppliers in relation to on-going infrastructure construction work undertaken by our overseas entities and the deposits placed for the purchase of related equipment. 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 June 2011 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.

- (7) The reduction in trade payables as at 30 June 2011 was due to prompt settlement of trade payables so as to secure better trade discounts with our regular suppliers for purchases made. On the other hand, there were more purchases made via trade financing facilities, resulting in an increase in bills payable as at 30 June 2011.

- (8) Other payables and accruals comprise:

| | Group | | Company | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | \$ | \$ | \$ | \$ |
| Accrued operating expenses | 151,726 | 254,596 | 72,834 | 154,504 |
| Accrued staff costs | 1,100,015 | 1,577,273 | 744,130 | 1,163,831 |
| Other payables | 1,876,063 | 1,992,147 | 1,660,154 | 1,706,259 |
| Advance received from customers | 820,156 | 667,467 | 160,253 | 93,321 |
| | 3,947,960 | 4,491,483 | 2,637,371 | 3,117,915 |

The reduction of other payables and accruals as at 30 June 2011 was mainly due to the decrease in accrued staff costs as a result of bonus payment made in January 2011.

- (9) The decrease in finance lease liabilities as at 30 June 2011 was due to settlement of monthly instalments due under the hire purchase agreements during the 1st half of 2011.



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

| | Group | | Company | |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | \$ | \$ | \$ | \$ |
| Unsecured term loans | | | | |
| - short-term | 12,100,000 | 10,300,000 | 12,100,000 | 10,300,000 |
| - long-term | 963,563 | 1,180,104 | - | - |
| | <u>13,063,563</u> | <u>11,480,104</u> | <u>12,100,000</u> | <u>10,300,000</u> |

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.18% to 1.45% (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 8.10% (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 7.60% (31/12/2010: 7.30%) per annum and is repayable in 60 monthly instalments commencing May 2009.

As at 30 June 2011, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$11.0 million (31/12/2010: \$11.2 million).



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1(c) **STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2011**

| | Group | | Group | |
|---|----------------------------|------------------|----------------------------|------------------|
| | 3 months ended 30 Jun 2011 | 2010 | 6 months ended 30 Jun 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| Cash flows from operating activities | | | | |
| Profit before income tax | 1,364,196 | 1,216,909 | 2,800,592 | 3,009,790 |
| Adjustments for: | | | | |
| Bad trade receivables | | | | |
| - written off | 270 | 52 | 476 | 376 |
| - recovered | - | - | - | (721) |
| Depreciation of | | | | |
| - property, plant and equipment | 534,702 | 538,965 | 1,101,317 | 1,069,762 |
| - brooder stocks | 157,949 | 169,655 | 322,992 | 339,309 |
| Gain on disposal of property, plant and equipment | (2,299) | (4,158) | (15,897) | (4,642) |
| Property, plant and equipment written off | 1,074 | 169 | 2,695 | 10,358 |
| Allowance for (Write back of) | | | | |
| - doubtful trade receivables | 52,404 | 10,171 | 179,207 | 28,671 |
| - inventory obsolescence | 34,000 | 40,000 | 34,000 | (18,000) |
| Share of losses of associates | 35,836 | 63,940 | 24,877 | 53,418 |
| Interest expense | 103,826 | 125,299 | 189,988 | 253,610 |
| Interest income | (4,905) | (1,555) | (5,465) | (2,407) |
| Operating profit before working capital changes | 2,277,053 | 2,159,447 | 4,634,782 | 4,739,524 |
| (Increase) Decrease in: | | | | |
| Inventories | (937,016) | (1,283,981) | (2,533,904) | (2,208,699) |
| Trade receivables | 478,852 | (346,909) | 726,949 | 454,770 |
| Other receivables, deposits and prepayments | (184,416) | (186,069) | (937,347) | (360,452) |
| Due from associates (trade) | (69,880) | 108,154 | (38,686) | 210,391 |
| Increase (Decrease) in: | | | | |
| Trade payables | (1,101,084) | 673,006 | (499,544) | 869,520 |
| Bills payable to banks | 376,384 | 51,626 | 228,059 | 214,296 |
| Other payables and accruals | (83,510) | (23,907) | (507,780) | (1,174,137) |
| Due to associates (trade) | (50,963) | 34,473 | - | 34,473 |
| Cash generated from operating activities | 705,420 | 1,185,840 | 1,072,529 | 2,779,686 |
| Payment of income tax | (318,685) | (789,591) | (392,472) | (871,639) |
| Net cash from operating activities | 386,735 | 396,249 | 680,057 | 1,908,047 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (634,378) | (337,881) | (937,119) | (656,529) |
| Proceeds from disposal of property, plant and equipment | 8,174 | 4,771 | 21,772 | 5,255 |
| Interest received | 4,905 | 1,555 | 5,465 | 2,407 |
| Net cash used in investing activities | (621,299) | (331,555) | (909,882) | (648,867) |



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1(c) **STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2011 (cont'd)**

| | <u>Group</u> | | <u>Group</u> | |
|--|-----------------------------------|--------------------|-----------------------------------|--------------------|
| | <u>3 months ended 30 Jun 2011</u> | <u>2010</u> | <u>6 months ended 30 Jun 2011</u> | <u>2010</u> |
| | \$ | \$ | \$ | \$ |
| Cash flows from financing activities | | | | |
| Proceeds from issuance of new shares | - | 34,103 | - | 950,149 |
| Drawdown of bank term loans | 1,800,000 | - | 1,800,000 | - |
| Repayment of | | | | |
| - finance lease liabilities | (46,680) | (92,341) | (94,859) | (112,960) |
| - bank term loans | (89,672) | (196,177) | (182,743) | (632,567) |
| Payment of dividends to | | | | |
| - shareholders of the Company | (2,270,532) | (2,241,701) | (2,270,532) | (2,241,701) |
| - non-controlling shareholder of a subsidiary | - | - | (99,600) | (104,160) |
| Interest paid | (101,955) | (125,628) | (189,360) | (256,562) |
| Net cash used in financing activities | <u>(708,839)</u> | <u>(2,621,744)</u> | <u>(1,037,094)</u> | <u>(2,397,801)</u> |
| Net decrease in cash and cash equivalents | (943,403) | (2,557,050) | (1,266,919) | (1,138,621) |
| Cash and cash equivalents at beginning of period | 11,253,904 | 11,360,029 | 11,690,547 | 9,846,614 |
| Effect of exchange rate changes | | | | |
| on cash balances held in foreign currencies | (125,064) | 6,848 | (238,191) | 101,834 |
| Cash and cash equivalents at end of period (Note i) | <u>10,185,437</u> | <u>8,809,827</u> | <u>10,185,437</u> | <u>8,809,827</u> |

Notes to Statement of Cash Flows

(i) Cash and cash equivalents comprise:

| | <u>Group</u> | |
|------------------------|--------------------|--------------------|
| | <u>30 Jun 2011</u> | <u>30 Jun 2010</u> |
| | \$ | \$ |
| Fixed deposits | 24,560 | 24,560 |
| Cash and bank balances | 10,160,877 | 8,785,267 |
| | <u>10,185,437</u> | <u>8,809,827</u> |

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

During the 1st half of 2011, cash proceeds from bank borrowings 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 2011, resulted in **net cash used in financing activities**.



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

| Group | Equity attributable to equity holders of the Company | | | | Non-controlling interests \$ | Total Equity \$ |
|--|--|---------------------------|------------------------------------|-------------|---------------------------------|--------------------|
| | Share capital \$ | Accumulated profits \$ | Currency translation reserve \$ | Total \$ | | |
| 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 first and final dividend | - | (2,270,532) | - | (2,270,532) | - | (2,270,532) |
| Payment of dividend to non-controlling shareholder of a subsidiary | - | - | - | - | (99,600) | (99,600) |
| Total transactions with owners of the Company | - | (2,270,532) | - | (2,270,532) | (99,600) | (2,370,132) |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | - | 2,006,295 | - | 2,006,295 | 266,532 | 2,272,827 |
| <i>Other comprehensive income</i> | | | | | | |
| Translation differences relating to financial statements of foreign subsidiaries, net of tax | - | - | (747,930) | (747,930) | (350,722) | (1,098,652) |
| Total other comprehensive income | - | - | (747,930) | (747,930) | (350,722) | (1,098,652) |
| Total comprehensive income for the year | - | 2,006,295 | (747,930) | 1,258,365 | (84,190) | 1,174,175 |
| Balance at 30 Jun 2011 | 30,772,788 | 32,745,537 | (1,807,171) | 61,711,154 | 10,123,085 | 71,834,239 |



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1(d)(i) **STATEMENTS 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> |
| Transactions with owners of the Company, recognised directly in equity | | | |
| <i>Contributions by and distributions to owners of the Company</i> | | | |
| Payment of first and final dividend | - | (2,270,532) | (2,270,532) |
| Total transactions with owners of the Company | <u>-</u> | <u>(2,270,532)</u> | <u>(2,270,532)</u> |
| Total comprehensive income for the year | | | |
| Profit for the year | - | 1,133,754 | 1,133,754 |
| <i>Other comprehensive income</i> | | | |
| Total other comprehensive income | - | - | - |
| Total comprehensive income for the year | <u>-</u> | <u>1,133,754</u> | <u>1,133,754</u> |
| Balance at 30 Jun 2011 | <u>30,772,788</u> | <u>16,080,863</u> | <u>46,853,651</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 30 Jun 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 30 June 2011, there were no outstanding convertibles. The Company had 5,447,241 warrants outstanding as at 30 June 2010 with the rights to subscribe for 5,447,241 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 30 June 2011 (30/06/2010: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 30 June 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 second quarter and half year ended 30 June 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 July 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 | | Group | |
|---|-----------------------------------|-------------|-----------------------------------|-------------|
| | 3 months ended 30 Jun 2011 | 2010 | 6 months ended 30 Jun 2011 | 2010 |
| EPS (based on consolidated net profit attributable to equity holders) | | | | |
| - on weighted average number of ordinary shares on issue (cents) | 0.22 | 0.21 | 0.44 | 0.54 |
| - on a fully diluted basis (cents) | 0.22 | 0.21 | 0.44 | 0.53 |

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 (30/6/2010: 440,769,045).

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 (30/6/2010: 444,875,545).



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7 **NET ASSET VALUE PER SHARE**

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------------|--------------------|--------------------|--------------------|
| | <u>30 Jun 2011</u> | <u>31 Dec 2010</u> | <u>30 Jun 2011</u> | <u>31 Dec 2010</u> |
| Net asset value per share based on existing issued share capital as at the respective dates (cents) | 15.82 | 16.08 | 10.32 | 10.57 |

Net asset value per share is computed based on the number of shares in issue as at 30 June 2011 of 454,106,350 (31/12/2010: 454,106,350).

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

6 months 2011 vs 6 months 2010

| | <u>Group</u> | | <u>Increase</u> | |
|-------------|------------------------------|---------------|-----------------|------------|
| | <u>6 months ended 30 Jun</u> | | <u>\$'000</u> | <u>%</u> |
| | <u>2011</u> | <u>2010</u> | | |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>%</u> |
| Fish | 24,665 | 23,681 | 984 | 4.2 |
| Accessories | 16,993 | 16,648 | 345 | 2.1 |
| Plastics | 5,845 | 5,642 | 203 | 3.6 |
| | <u>47,503</u> | <u>45,971</u> | <u>1,532</u> | <u>3.3</u> |

For the 6 months ended 30 June 2011, the ornamental fish and accessories activities continued to be our core activities, which together accounted for almost 88% of total revenue. Our revenue increased by approximately \$1.5 million or 3.3% from \$46.0 million for the 6 months ended 30 June 2010 to \$47.5 million for the 6 months ended 30 June 2011. All business activities registered growth in revenue during the current quarter as compared to its corresponding period in 2010.

On a geographical basis, the revenue contribution from Singapore remained relatively consistent. Without the multiple whammy of severe hot weather condition which led to low supply of self-bred Dragon Fish, air traffic disruption due to volcanic ash and political riot in Bangkok which each had an adverse effect on either the Group's export sales or its overseas operations during the 2nd quarter of 2010, our overseas revenue increased by approximately 4.9% in the 1st half of 2011 as compared to its corresponding period in 2010.

2Q 2011 vs 2Q 2010

| | <u>Group</u> | | <u>Increase (Decrease)</u> | |
|-------------|----------------|----------------|----------------------------|------------|
| | <u>2Q 2011</u> | <u>2Q 2010</u> | <u>\$'000</u> | <u>%</u> |
| | <u>\$'000</u> | <u>\$'000</u> | | |
| Fish | 12,015 | 11,335 | 680 | 6.0 |
| Accessories | 8,463 | 8,578 | (115) | (1.3) |
| Plastics | 2,871 | 2,821 | 50 | 1.8 |
| | <u>23,349</u> | <u>22,734</u> | <u>615</u> | <u>2.7</u> |



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

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

2Q 2011 vs 2Q 2010 (cont'd)

Our revenue increased by approximately \$0.6 million or 2.7% in the 2nd quarter of 2011 as compared to its corresponding period in 2010.

Fish

During the 2nd quarter of 2010, our revenue from ornamental fish was adversely affected by multiple whammies, including unprecedented severe hot weather and unstable weather condition which had led to a slow down in the supply of self-bred Dragon Fish; widespread airport closures and flight cancellations over European airspace due to the Icelandic volcanic ash and the month-long World Cup football tournament; which we viewed as one-off unforeseen incidences.

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 (2Q 2011), we were able to record healthy revenue growth from the sales of self-bred Dragon Fish in both the domestic and overseas markets as compared to the corresponding period in 2010. 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

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. However, the reduction in revenue contribution from our Guangzhou factory due to the reduction in production orders received from our OEM customers since the 3rd quarter of 2010 has resulted in a decline in our accessories revenue in the 2nd quarter of 2011 as compared to its corresponding period in 2010. Our OEM customers with business dealings mainly in the European markets were affected by the region's sluggish economic conditions.

As mentioned in our earlier announcements, we have since utilised the surplus factory capacity in Guangzhou to produce a new range of propriety brand products for sales so as to mitigate the decline in revenue contribution from our Guangzhou factory. The Guangzhou factory will increase its production of these propriety brand products for sales to the China domestic market in the coming quarters so as to hedge against the challenging European markets.

Plastics

Revenue from plastics activities continue to register a steady increase in the current quarter as compared to its corresponding period in 2010 as we managed to focus on generating revenue through enlarging the customer base and selling more varieties of plastic products.

2Q 2011 vs 1Q 2011

| | Group | | Decrease | |
|-------------|---------------|---------------|-----------------|--------------|
| | 2Q | 1Q | | |
| | 2011 | 2011 | \$'000 | % |
| | \$'000 | \$'000 | | |
| Fish | 12,015 | 12,650 | (635) | (5.0) |
| Accessories | 8,463 | 8,530 | (67) | (0.8) |
| Plastics | 2,871 | 2,974 | (103) | (3.5) |
| | 23,349 | 24,154 | (805) | (3.3) |



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

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

2Q 2011 vs 1Q 2011 (cont'd)

Our revenue decreased by \$0.8 million or 3.3% from \$24.1 million in the 1st quarter of 2011 to \$23.3 million in the 2nd quarter of 2011 mainly due to the reduction in ornamental fish revenue during the current quarter as compared to the previous quarter.

Fish

As mentioned earlier, our self-bred Dragon Fish supplies were affected by the unprecedented severe hot weather and the unstable weather condition in Malaysia; hence the revenue contribution from our ornamental fish activities plunged in the previous financial year. With the resumption of the supply of self-bred Dragon Fish from our Malaysia farm toward the end of FY 2010, there was an increase in demand and sales of Dragon Fish during the 1st quarter of 2011, which resulted in the surge of ornamental fish revenue by \$2.5 million or 24.6% as compared to the 4th quarter of 2010. The high revenue base reported in the 1st quarter of 2011 gave rise to a relatively lower ornamental fish revenue contribution in the current quarter (2Q 2011), despite no evident negative factors affecting its revenue contribution in the current quarter.

Accessories

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

Plastics

Revenue from our plastics activities registered a marginal decline of \$0.1 million or 3.5% in the current quarter as compared to that of the previous quarter mainly due to a temporary reduction in market demand in view of the anticipated reduction in raw material (resins) prices which is pegged to movement in oil prices. With the stabilisation of oil prices, we foresee that the demand of our plastic products will recover in the coming quarters, which should have a positive impact on our plastic revenue.

(b) **Profitability**

6 months 2011 vs 6 months 2010

| | Group | | Increase | |
|--------------------------------|------------------------------|------------------------------|-------------------|--------------|
| | 6 months ended 30 Jun | 6 months ended 30 Jun | (Decrease) | |
| | 2011 | 2010 | \$'000 | % |
| | \$'000 | \$'000 | | |
| Fish | 2,527 | 2,457 | 70 | 2.8 |
| Accessories | 872 | 1,158 | (286) | (24.7) |
| Plastics | 488 | 483 | 5 | 1.0 |
| Unallocated corporate expenses | (1,086) | (1,088) | 2 | 0.2 |
| | 2,801 | 3,010 | (209) | (6.9) |

Our operating profit before taxation decreased marginally by \$0.2 million or 6.9% from \$3.0 million for the half year ended 30 June 2010 to \$2.8 million for the half year ended 30 June 2011. Profit after taxation attributable to equity holders decreased by approximately \$0.4 million or 15.1% from \$2.4 million for the 6 months ended 30 June 2010 to \$2.0 million for the 6 months ended 30 June 2011. Our fish business was the main profit contributor in the 1st half of 2011.



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

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

2Q 2011 vs 2Q 2010

| | <u>Group</u> | | Increase (Decrease) | |
|--------------------------------|-------------------------------|-------------------------------|--------------------------------|--------|
| | 2Q 2011 \$'000 | 2Q 2010 \$'000 | | |
| Fish | 1,183 | 844 | 339 | 40.2 |
| Accessories | 442 | 608 | (166) | (27.3) |
| Plastics | 229 | 235 | (6) | (2.6) |
| Unallocated corporate expenses | (489) | (470) | (19) | (4.0) |
| | <u>1,365</u> | <u>1,217</u> | <u>148</u> | 12.2 |

Fish

Operating profit from our ornamental fish business increased by approximately \$0.3 million or 40.2% to \$1.2 million in the 2nd quarter of 2011 as compared to its corresponding period in 2010. 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.

Accessories

The decline in profitability from our accessories business in the 2nd quarter of 2011 as compared to its corresponding period in 2010 was in line with the lower revenue contribution. In addition, our Guangzhou factory registered higher manufacturing and operating costs since the 2nd half of 2010, predominantly as a result of the continuous increase in material costs as well as wage cost following the salary revision so as to comply with the China “minimum wage” policy. This has sliced off some profitability of the accessories business, in spite of the better profit margins contribution from our export of accessories.

Plastics

Despite registering a marginal increase in revenue contribution, the operating profit from our plastics activities remained relatively constant on a year-on-year basis primarily due to slight 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.



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

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

2Q 2011 vs 1Q 2011

| | Group | | Increase (Decrease) | |
|--------------------------------|-------------------------------|-------------------------------|--------------------------------|--------------|
| | 2Q 2011 \$'000 | 1Q 2011 \$'000 | \$'000 | % |
| Fish | 1,183 | 1,344 | (161) | (12.0) |
| Accessories | 442 | 430 | 12 | 2.8 |
| Plastics | 229 | 259 | (30) | (11.6) |
| Unallocated corporate expenses | (489) | (597) | 108 | 18.1 |
| | 1,365 | 1,436 | (71) | (4.9) |

Fish

Other than the drop in revenue contribution from our ornamental fish activities mentioned earlier, the dip in its operating profit by approximately \$0.2 million or 12.0 % in the current quarter as compared to the previous quarter was mainly as a result of the difference in sales mix. 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.

Accessories

The relatively consistent revenue registered by the accessories business in both quarters gave rise to the flat growth in profitability from the 1st quarter of 2011 to 2nd quarter of 2011.

Plastics

The decline in profitability from our plastics business in the 2nd quarter of 2011 as compared to previous quarter was in line with the lower revenue contribution.

Unallocated corporate expenses

The lower corporate expenses reported on a quarter-on-quarter basis 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.

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.

Our business model remains robust and is diversified. We will continue to build a resilient balance sheet, work steadily on generating and maintaining a strong cash flow from operating activities and on reducing our bank borrowings. Barring any unforeseen circumstances, we expect our Group to remain profitable in the 2nd half of 2011, despite possible fluctuations in our operating profit from quarter to quarter.

11 **DIVIDEND**

No interim dividend for the half year ended 30 June 2011 is recommended.

12 **RELATED PARTIES & INTERESTED PERSON TRANSACTIONS**

Except for consultancy fees amounting to \$8,300 (30/6/2010: \$8,300) paid by the Group and by the Company to a company in which a director has a substantial interest, there was no other 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 second quarter and the half year ended 30 June 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 | 6 months ended 30 Jun 2011 | | | | |
|---|----------------------------|-----------------------|--------------------|------------------|-----------------|
| | Fish \$'000 | Accessories \$'000 | Plastics \$'000 | Others \$'000 | Total \$'000 |
| Revenue | | | | | |
| External revenue | 24,665 | 16,993 | 5,845 | - | 47,503 |
| Inter-segment revenue | 3,042 | 5,966 | 73 | (9,081) | - |
| Total Revenue | 27,707 | 22,959 | 5,918 | (9,081) | 47,503 |
| Results | | | | | |
| EBITDA * | 3,591 | 1,322 | 542 | (1,020) | 4,435 |
| Depreciation and amortisation | (965) | (405) | (54) | - | (1,424) |
| Interest expense | (102) | (22) | - | (66) | (190) |
| Interest income | 3 | 2 | - | - | 5 |
| | 2,527 | 897 | 488 | (1,086) | 2,826 |
| Share of losses of associates | - | (25) | - | - | (25) |
| Profit before income tax | 2,527 | 872 | 488 | (1,086) | 2,801 |
| Income tax expense | (349) | (124) | (55) | - | (528) |
| Profit for the period | 2,178 | 748 | 433 | (1,086) | 2,273 |
| Net profit margin | 8.8% | 4.4% | 7.4% | | 4.8% |
| Assets and Liabilities | | | | | |
| Segment assets | 65,693 | 35,107 | 3,857 | 1,910 | 106,567 |
| Investments in associates | - | 1,078 | - | - | 1,078 |
| Segment liabilities | 16,830 | 4,052 | 1,696 | 12,155 | 34,733 |
| Other Segment Information | | | | | |
| Expenditures for non-current assets ** | 586 | 344 | 28 | - | 958 |
| Other non-cash items: | | | | | |
| Gain on disposal of property, plant and equipment | - | (13) | (3) | - | (16) |
| Property, plant and equipment written off | 2 | - | 1 | - | 3 |
| Allowance for | | | | | |
| - doubtful trade receivables | 125 | 54 | - | - | 179 |
| - inventory obsolescence | - | 34 | - | - | 34 |

* 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 | 6 months ended 30 Jun 2010 | | | | |
|---|----------------------------|-----------------------|--------------------|------------------|-----------------|
| | Fish \$'000 | Accessories \$'000 | Plastics \$'000 | Others \$'000 | Total \$'000 |
| Revenue | | | | | |
| External revenue | 24,089 | 16,240 | 5,642 | - | 45,971 |
| Inter-segment revenue | 1,635 | 5,969 | 92 | (7,696) | - |
| Total Revenue | 25,724 | 22,209 | 5,734 | (7,696) | 45,971 |
| Results | | | | | |
| EBITDA * | 3,552 | 1,649 | 544 | (1,022) | 4,723 |
| Depreciation and amortisation | (936) | (412) | (61) | - | (1,409) |
| Interest expense | (160) | (26) | (1) | (66) | (253) |
| Interest income | 1 | - | 1 | - | 2 |
| | 2,457 | 1,211 | 483 | (1,088) | 3,063 |
| Share of losses of associates | - | (53) | - | - | (53) |
| Profit before income tax | 2,457 | 1,158 | 483 | (1,088) | 3,010 |
| Income tax expense | (319) | (187) | (55) | - | (561) |
| Profit for the period | 2,138 | 971 | 428 | (1,088) | 2,449 |
| Net profit margin | 8.9% | 6.0% | 7.6% | | 5.3% |
| Assets and Liabilities | | | | | |
| Segment assets | 67,094 | 34,126 | 3,638 | 1,088 | 105,946 |
| Investment in associates | - | 1,117 | - | - | 1,117 |
| Segment liabilities | 18,053 | 4,998 | 1,795 | 9,442 | 34,288 |
| Other Segment Information | | | | | |
| Expenditures for non-current assets ** | 278 | 465 | 85 | - | 828 |
| Other non-cash items: | | | | | |
| Bad trade receivables recovered | (1) | - | - | - | (1) |
| Gain on disposal of property, plant and equipment | - | (5) | - | - | (5) |
| Property, plant and equipment written off | 10 | - | - | - | 10 |
| Allowance for (Write back of) | | | | | |
| - doubtful trade receivables | - | 29 | - | - | 29 |
| - inventory obsolescence | - | (18) | - | - | (18) |

(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 | |
|-----------------------|-----------------------|---------------|----------------------------|---------------|-----------------------|----------------|
| | 6 months ended 30 Jun | | 6 months ended 30 Jun | | 6 months ended 30 Jun | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Singapore | 14,666 | 14,660 | 9,380 | 9,885 | 34,935 | 33,908 |
| Other Asian countries | 22,441 | 18,056 | 35,774 | 40,188 | 70,870 | 71,273 |
| Europe | 5,311 | 7,683 | 762 | 765 | 762 | 765 |
| Others | 5,085 | 5,572 | - | - | - | - |
| Total | 47,503 | 45,971 | 45,916 | 50,838 | 106,567 | 105,946 |

(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 |
|---|----------------|-----------------------|--------------------|-----------------|
| 2Q 2011 | | | | |
| Singapore (including domestic sales & sales to Singapore) | 2,591 | 2,025 | 2,781 | 7,397 |
| Overseas (including export to & sales in overseas) | 9,424 | 6,438 | 90 | 15,952 |
| Total revenue | 12,015 | 8,463 | 2,871 | 23,349 |
| 2Q 2010 | | | | |
| Singapore | 2,953 | 1,796 | 2,760 | 7,509 |
| Overseas | 8,382 | 6,782 | 61 | 15,225 |
| Total revenue | 11,335 | 8,578 | 2,821 | 22,734 |
| 6 months ended 30 Jun 2011 | | | | |
| Singapore (including domestic sales & sales to Singapore) | 5,132 | 3,798 | 5,736 | 14,666 |
| Overseas (including export to & sales in overseas) | 19,533 | 13,195 | 109 | 32,837 |
| Total revenue | 24,665 | 16,993 | 5,845 | 47,503 |
| 6 months ended 30 Jun 2010 | | | | |
| Singapore | 5,524 | 3,631 | 5,505 | 14,660 |
| Overseas | 18,157 | 13,017 | 137 | 31,311 |
| Total revenue | 23,681 | 16,648 | 5,642 | 45,971 |

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
18 July 2011