



**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 2009**

	Note	Group			Group		
		3 months ended 30 Jun		Change %	6 months ended 30 Jun		Change %
		2009 \$'000	2008 \$'000		2009 \$'000	2008 \$'000	
Revenue		23,718	23,576	0.6	46,870	46,590	0.6
Cost of sales		(15,405)	(15,264)	0.9	(30,470)	(29,865)	2.0
<b>Gross profit</b>		<b>8,313</b>	<b>8,312</b>	<b>0.0</b>	<b>16,400</b>	<b>16,725</b>	<b>(1.9)</b>
Other operating income		39	43	(9.3)	68	78	(12.8)
		<b>8,352</b>	<b>8,355</b>	<b>(0.0)</b>	<b>16,468</b>	<b>16,803</b>	<b>(2.0)</b>
Selling & distribution expenses	i	(428)	(759)	(43.6)	(948)	(1,584)	(40.2)
General & administrative expenses	i	(5,183)	(4,994)	3.8	(10,496)	(10,297)	1.9
<b>Profit from operations</b>	ii	<b>2,741</b>	<b>2,602</b>	<b>5.3</b>	<b>5,024</b>	<b>4,922</b>	<b>2.1</b>
Financial income	iii	2	3	(33.3)	3	13	(76.9)
Financial expenses	iii	(186)	(210)	(11.4)	(386)	(445)	(13.3)
		<b>2,557</b>	<b>2,395</b>	<b>6.8</b>	<b>4,641</b>	<b>4,490</b>	<b>3.4</b>
Share of (losses) profits of associate		(5)	(29)	(82.8)	(4)	2	(300.0)
<b>Profit before taxation</b>		<b>2,552</b>	<b>2,366</b>	<b>7.9</b>	<b>4,637</b>	<b>4,492</b>	<b>3.2</b>
Taxation	iv	(517)	(517)	-	(924)	(1,035)	(10.7)
<b>Profit for the period</b>		<b>2,035</b>	<b>1,849</b>	<b>10.1</b>	<b>3,713</b>	<b>3,457</b>	<b>7.4</b>
Attributable to:							
<b>Equity holders of the Company</b>		<b>1,663</b>	<b>1,508</b>	<b>10.3</b>	<b>3,062</b>	<b>2,774</b>	<b>10.4</b>
Minority interests		372	341	9.1	651	683	(4.7)
<b>Profit for the period</b>		<b>2,035</b>	<b>1,849</b>	<b>10.1</b>	<b>3,713</b>	<b>3,457</b>	<b>7.4</b>
Gross profit margin		35.0%	35.3%		35.0%	35.9%	
Net profit margin		8.6%	7.8%		7.9%	7.4%	



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

**STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2009**

	<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>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>	
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Profit for the period</b>	2,035	1,849	10.1	3,713	3,457	7.4
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	(307)	(794)	(61.3)	(244)	(777)	(68.6)
<b>Other comprehensive income for the period, net of tax</b>	<b>(307)</b>	<b>(794)</b>	<b>(61.3)</b>	<b>(244)</b>	<b>(777)</b>	<b>(68.6)</b>
<b>Total comprehensive income for the period</b>	<b>1,728</b>	<b>1,055</b>	<b>63.8</b>	<b>3,469</b>	<b>2,680</b>	<b>29.4</b>
Attributable to:						
<b>Equity holders of the Company</b>	<b>1,453</b>	<b>989</b>	<b>46.9</b>	<b>2,896</b>	<b>2,264</b>	<b>27.9</b>
Minority interests	275	66	316.7	573	416	37.7
<b>Total comprehensive income for the period</b>	<b>1,728</b>	<b>1,055</b>	<b>63.8</b>	<b>3,469</b>	<b>2,680</b>	<b>29.4</b>

**Notes to Income Statement**

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

Despite the annual salary revision and the increase in overall headcount of the Group, we have put in place measures to contain our general and administrative expenses in the current quarter as compared to its corresponding period in 2008. Accordingly, in line with the cost saving measures in place, there was reduction in selling and distribution expenses incurred by the Group which amounted to \$0.6 million or 40.2%.

(ii) **Profit from operations**

This is determined after charging (crediting) the following:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>		<u>6 months ended 30 Jun</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	18	18	36	36
- other auditors	5	4	11	10
Non-audit fees				
- other auditors	5	15	17	15
Directors' fees				
- directors of the Company	15	15	30	25
Directors' remuneration				
- directors of the Company	277	300	574	549
- directors of subsidiaries	136	139	272	248
Amortisation of product listing fees	3	5	6	12
Bad trade receivables written off	-	4	-	6



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

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

(ii) **Profit from operations (cont'd)**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun</b>		<b>6 months ended 30 Jun</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$'000	\$'000	\$'000	\$'000
Bad trade receivables recovered	-	(17)	(1)	(17)
Depreciation of				
- property, plant and equipment	507	467	1,021	936
- brooder stocks	145	122	288	239
Gain on disposal of property, plant and equipment	(8)	(27)	(18)	(27)
Property, plant and equipment written off	2	-	21	-
Allowance for				
- doubtful trade receivables	16	59	159	66
- inventory obsolescence	18	-	64	35
Operating lease expenses	264	251	535	532
Personnel expenses *	2,980	2,919	6,060	6,101
Exchange gain, net	(22)	(85)	(267)	(139)

\* Include directors' remuneration.

(iii) **Financial income**  
**Financial expenses**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun</b>		<b>6 months ended 30 Jun</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$'000	\$'000	\$'000	\$'000
Interest expenses				
- bank loans and overdrafts	147	143	290	304
- bills payable	31	59	80	123
- finance lease obligations	8	8	16	18
	<b>186</b>	<b>210</b>	<b>386</b>	<b>445</b>
Interest income				
- bank deposits	(2)	(3)	(3)	(13)
Net financial expenses	<b>184</b>	<b>207</b>	<b>383</b>	<b>432</b>

Despite the increase in the amount of bank borrowings during the 1<sup>st</sup> half of 2009, the reduction in interest expenses by 13.3% as compared to its corresponding period in 2008 was mainly due to lower interest rates charged by the financial institutions.

(iv) **Taxation**

The effective tax rate of 20.3% and 19.9% for the 2<sup>nd</sup> quarter of 2009 and the half year ended 30 June 2009 respectively was lower than the 21.9% and 23.0% recorded in the corresponding periods in 2008. This is mainly attributed to losses incurred by some subsidiaries in 2008, which cannot be offset against profits earned by other companies in the Group, and the 1% reduction in Singapore corporate tax rate to 17%.

The effective tax charge was higher than the amount obtained by applying the statutory tax rate of 17% on profit before taxation mainly due to varying statutory tax rates of different countries in which the Group operates.



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

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

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
	\$	\$	\$	\$
<b>Equity attributable to equity holders of the Company</b>				
Share capital	29,613,498	29,411,915	29,613,498	29,411,915
Reserves	26,234,845	24,179,248	14,364,594	13,427,936
	<b>55,848,343</b>	<b>53,591,163</b>	<b>43,978,092</b>	<b>42,839,851</b>
<b>Minority Interests</b>	9,716,009	9,143,011	-	-
<b>Total Equity</b>	<b>65,564,352</b>	<b>62,734,174</b>	<b>43,978,092</b>	<b>42,839,851</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	15,494,342	14,639,378	5,641,701	4,680,364
Brooder stocks	27,981,083	26,745,893	1,798,195	1,196,790
Investments in subsidiaries	-	-	11,991,086	11,991,086
Investment in associate	784,280	787,794	812,600	812,600
Intangible assets	2,274,095	2,205,392	308,475	239,772
<b>Current Assets</b>				
Inventories	23,105,003	22,385,773	7,520,235	7,512,040
Breeder stocks	1,595,170	1,595,170	444,690	444,690
Trade receivables	19,066,734	20,712,162	6,470,182	7,118,439
Other receivables, deposits and prepayments	1,834,742	2,604,894	549,392	1,103,238
Due from				
- subsidiaries (trade)	-	-	18,097,722	18,842,672
- subsidiaries (non-trade)	-	-	2,453,858	2,624,119
- associates (trade)	314,306	508,334	314,306	508,334
Fixed deposits	24,560	24,560	24,560	24,560
Cash and bank balances	9,581,111	8,302,611	5,963,489	5,469,044
	<b>55,521,626</b>	<b>56,133,504</b>	<b>41,838,434</b>	<b>43,647,136</b>
<b>Current Liabilities</b>				
Trade payables	8,236,533	9,189,826	3,169,815	3,383,071
Bills payable to banks (unsecured)	4,536,501	4,156,350	692,729	638,044
Other payables and accruals	3,897,545	5,182,697	2,946,784	3,992,125
Due to				
- subsidiaries (trade)	-	-	65,650	88,614
- subsidiaries (non-trade)	-	-	360,000	810,000
- minority shareholder of a subsidiary (non-trade)	51,845	122,171	-	-
Finance lease obligations	196,047	172,640	86,042	72,703
Bank term loans	10,918,872	10,268,215	10,400,000	10,000,000
Provision for taxation	915,296	1,058,178	463,199	535,299
Bank overdrafts (unsecured)	1,782,575	1,623,138	-	-
	<b>30,535,214</b>	<b>31,773,215</b>	<b>18,184,219</b>	<b>19,519,856</b>
<b>Net Current Assets</b>	24,986,412	24,360,289	23,654,215	24,127,280
<b>Non-Current Liabilities</b>				
Finance lease obligations	(378,402)	(351,917)	(128,180)	(108,041)
Bank term loans	(2,020,419)	(2,058,459)	-	-
Deferred taxation	(3,557,039)	(3,594,196)	(100,000)	(100,000)
<b>Net Assets</b>	<b>65,564,352</b>	<b>62,734,174</b>	<b>43,978,092</b>	<b>42,839,851</b>



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

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

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
Inventory turnover (days)	145	145	91	86
Trade receivables turnover (days)	77	75	54	56
Debt equity ratio	0.56	0.60	0.42	0.46

**Notes to Statements of Financial Position**

(1) The details of subsidiaries are as follows:

<b>Name</b>	<b>Effective equity interest held by the Group</b>		<b>Cost of investment by the Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
	<b>%</b>	<b>%</b>	<b>\$</b>	<b>\$</b>
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	150,451	150,451
- 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 (Thailand)	60	60	121,554	121,554
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
			<b>11,991,086</b>	<b>11,991,086</b>

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



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

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

(2) The details of associate are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
	\$	\$	\$	\$
Unquoted equity investment				
- Arcadia Products PLC	812,600	812,600	812,600	812,600
Share of post-acquisition losses	(28,320)	(24,806)	-	-
	<b>784,280</b>	<b>787,794</b>	<b>812,600</b>	<b>812,600</b>

- In July 2007, the Company acquired a 20% equity interest in Arcadia Products PLC (“Arcadia”), an aquarium lamp manufacturer based in the United Kingdom, for an initial consideration of £264K (approximately S\$813K). In addition, it was agreed that if Arcadia achieves a net profit after tax (“PAT”) of not less than £400K (the “Required PAT”) in respect of Arcadia’s financial year ended on either 30 June 2008 (“FY 2008”) or 30 June 2009 (“FY 2009”), a further consideration for the acquisition amounting to 20% of six times the amount of Arcadia’s PAT less the amount of initial consideration already paid by the Company (“further consideration”) will be paid. As Arcadia did not achieve the Required PAT in both FY 2008 and FY 2009, the further consideration will not be payable.
- As announced on 20 April 2009, the Company has entered into a joint venture agreement to set up a 50-50% joint venture company in Chennai, Qian Hu Aquasstar (India) Private Limited (“JV Company”), dealing with the manufacturing and distribution of aquarium accessories, such as fish food and aquarium tanks. The Company’s cost of investment in the new JV Company, amounting to approximately S\$400K, will be injected into the new JV Company by the 3<sup>rd</sup> quarter of 2009.

(3) Intangible assets comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
	\$	\$	\$	\$
Trademarks/customer acquisition costs	901,025	826,774	884,149	809,898
Product listing fees	196,153	196,153	196,153	196,153
Goodwill on consolidation	1,965,620	1,965,620	-	-
	<b>3,062,798</b>	<b>2,988,547</b>	<b>1,080,302</b>	<b>1,006,051</b>
Less accumulated amortisation	(788,703)	(783,155)	(771,827)	(766,279)
	<b>2,274,095</b>	<b>2,205,392</b>	<b>308,475</b>	<b>239,772</b>

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 are estimated 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. It is stated at cost from the date of initial recognition less accumulated impairment losses and is subjected to annual impairment testing.



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

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

(4) Inventories comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
	\$	\$	\$	\$
Fish	7,285,370	6,700,278	3,360,763	3,206,189
Accessories	15,563,013	15,416,961	4,524,772	4,606,851
Plastics products - raw materials	354,133	243,516	-	-
Plastics products - finished goods	361,577	419,808	-	-
	<u>23,564,093</u>	<u>22,780,563</u>	<u>7,885,535</u>	<u>7,813,040</u>
Less allowance for inventory obsolescence	(459,090)	(394,790)	(365,300)	(301,000)
	<u>23,105,003</u>	<u>22,385,773</u>	<u>7,520,235</u>	<u>7,512,040</u>

The increase in inventory balance was due to additional purchases of Dragon Fish made 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:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
	\$	\$	\$	\$
Trade receivables	21,289,571	22,958,865	8,344,121	9,018,920
Less allowance for doubtful trade receivables	(2,222,837)	(2,246,703)	(1,873,939)	(1,900,481)
	<u>19,066,734</u>	<u>20,712,162</u>	<u>6,470,182</u>	<u>7,118,439</u>

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 2009. The trade receivables turnover days have remained relatively consistent during both periods. The Group typically grants existing customers credit terms of 30 to 90 days.

(6) Other receivables, deposits and prepayments comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
	\$	\$	\$	\$
Other receivables	375,635	322,899	179,142	86,074
Deposits	286,281	313,762	53,175	56,398
Prepayments	537,059	453,125	90,921	124,319
Advances to suppliers	138,438	451,347	54,094	365,615
Deposit for purchase of property, plant and equipment	203,900	470,832	172,060	470,832
Tax recoverable	293,429	592,929	-	-
	<u>1,834,742</u>	<u>2,604,894</u>	<u>549,392</u>	<u>1,103,238</u>



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

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

The higher amount of other receivables, deposits and prepayments balances as at 31 December 2008 was mainly due to advances made to suppliers in relation to the on-going infrastructure construction work in our Singapore farm and the deposits placed for the purchase of related equipment. These amounts have since been capitalised under plant, property and equipment as at 30 June 2009. In addition, the tax recoverable amounts as at 31 December 2008 has been partially utilised in the 1<sup>st</sup> half of 2009 as settlement of tax liability for the current year.

- (7) The cash received from trade receivables during the 1<sup>st</sup> half of 2009 were used for the settlement of trade payables so as to secure better trade discounts with our regular suppliers for purchases made.
- (8) Other payables and accruals comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
	\$	\$	\$	\$
Accrued operating expenses	274,504	329,191	74,382	218,268
Accrued staff costs	1,237,021	2,139,748	823,780	1,555,234
Other payables	2,380,770	2,545,918	2,043,372	2,218,623
Advance received from customers	5,250	167,840	5,250	-
	<b>3,897,545</b>	<b>5,182,697</b>	<b>2,946,784</b>	<b>3,992,125</b>

The reduction of other payables and accruals as at 30 June 2009 was mainly due to the decrease in accrued staff costs as a result of bonus payment made in January 2009.

- (9) The increase in finance lease obligations as at 30 June 2009 was due to the purchase of three motor vehicles under hire purchase arrangements during the 1<sup>st</sup> half of 2009.





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

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

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
	\$	\$	\$	\$
Due within 1 year:				
Short term loans (unsecured)	10,400,000	10,000,000	10,400,000	10,000,000
Long-term loans, current portion				
- secured	33,009	31,113	-	-
- unsecured	485,863	237,102	-	-
	518,872	268,215	-	-
	<u>10,918,872</u>	<u>10,268,215</u>	<u>10,400,000</u>	<u>10,000,000</u>
Due after 1 year:				
Long-term loans				
- secured	57,121	75,853	-	-
- unsecured	1,963,298	1,982,606	-	-
	2,020,419	2,058,459	-	-
	<u>12,939,291</u>	<u>12,326,674</u>	<u>10,400,000</u>	<u>10,000,000</u>

The proceeds from the additional bank borrowings was mainly utilised for capital expenditure in relation to the expansion of our Dragon Fish breeding and farming facilities in Singapore.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.73% to 2.31% (31/12/2008: 2.31% to 3.58%) per annum and are repayable within the next 12 months from the balance sheet date.

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

- a 7-year bank loan of RM0.5 million, secured by a mortgage on a subsidiary's freehold land, bears interest at 6.80% (31/12/2008: 7.75%) per annum and is repayable in 84 monthly instalments commencing January 2005;
- a 5-year unsecured bank loan of RM1.85 million, bears interest at 7.05% (31/12/2008: 8.00%) per annum and is repayable in 60 monthly instalments commencing August 2006;
- a 10-year unsecured bank loan of RM2.5 million, bears interest at 7.05% (31/12/2008: 8.00%) 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 6.55% (31/12/2008: 7.50%) per annum and is repayable in 60 monthly instalments commencing May 2009.

As at 30 June 2009, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$11.0 million (31/12/2008: \$10.5 million). As announced previously, the adoption of the amendments to FRS 39 *Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts* (effective from financial years beginning on or after 1 January 2006), which required the Company to measure the financial guarantees given to financial institutions for bank borrowings of its subsidiaries at fair value upon inception of the guarantees, was assessed to have no material financial impact on the Group's financial statements.



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

1(c) **STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2009**

	Group		Group	
	3 months ended 30 Jun 2009	2008	6 months ended 30 Jun 2009	2008
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Profit before taxation and minority interests	2,552,810	2,366,336	4,637,109	4,492,429
Adjustments for:				
Bad trade receivables				
- written off	27	4,280	54	5,964
- recovered	-	(16,600)	(755)	(16,600)
Depreciation of				
- property, plant and equipment	506,799	467,460	1,021,277	936,564
- brooder stocks	144,871	122,493	288,180	238,591
Gain on disposal of property, plant and equipment	(8,048)	(26,992)	(17,963)	(26,717)
Property, plant and equipment written off	2,459	66	20,913	66
Amortisation of product listing fees	2,774	5,186	5,548	12,108
Allowance for				
- doubtful trade receivables	15,955	58,521	159,340	66,021
- inventory obsolescence	17,500	-	64,300	34,739
Share of losses (profits) of associate	4,158	28,969	3,514	(1,920)
Financial expenses	186,002	209,626	386,548	445,201
Financial income	(2,328)	(2,947)	(3,446)	(13,291)
<b>Operating profit before working capital changes</b>	<b>3,422,979</b>	<b>3,216,398</b>	<b>6,564,619</b>	<b>6,173,155</b>
(Increase) Decrease in:				
Inventories	532,679	(815,768)	(783,984)	(612,570)
Trade receivables	(1,224,532)	(605,542)	1,490,924	(458,981)
Other receivables, deposits and prepayments	(194,280)	(37,420)	520,009	(37,147)
Due from associate (trade)	100,455	32,622	194,028	795,850
Increase (Decrease) in:				
Trade payables	1,150,327	279,522	(944,541)	(551,999)
Bills payable to banks	541,895	103,109	422,236	(123,858)
Other payables and accruals	(52,870)	1,157,399	(1,278,786)	414,967
<b>Cash generated from operations</b>	<b>4,276,653</b>	<b>3,330,320</b>	<b>6,184,505</b>	<b>5,599,417</b>
Payment of income tax	(570,085)	(445,600)	(784,940)	(643,649)
<b>Net cash generated from operating activities</b>	<b>3,706,568</b>	<b>2,884,720</b>	<b>5,399,565</b>	<b>4,955,768</b>
<b>Cash flows from investing activities</b>				
Purchase of				
- property, plant and equipment	(703,403)	(620,480)	(1,886,044)	(2,021,944)
- brooder stocks	(1,576,090)	(1,744,034)	(1,828,980)	(3,636,284)
Proceeds from disposal of property, plant and equipment	13,967	26,142	28,120	40,834
Payment for trademarks/customer acquisition costs	(21,670)	(25,210)	(74,251)	(31,398)
Interest received	2,328	2,947	3,446	13,291
<b>Net cash used in investing activities</b>	<b>(2,284,868)</b>	<b>(2,360,635)</b>	<b>(3,757,709)</b>	<b>(5,635,501)</b>



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

1(c) **STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2009 (cont'd)**

	Group		Group	
	3 months ended 30 Jun 2009	30 Jun 2008	6 months ended 30 Jun 2009	2008
	\$	\$	\$	\$
<b>Cash flows from financing activities</b>				
Proceeds from issuance of new shares	27,787	47,661	201,583	112,664
Drawdown of bank term loans	395,000	700,000	813,000	1,200,000
Repayment of				
- finance lease obligations	(51,595)	(47,101)	(102,505)	(165,223)
- bank term loans	(98,708)	(59,436)	(172,552)	(121,922)
- loans from minority shareholder of a subsidiary	(13,715)	(43,071)	(68,865)	(126,403)
Payment of dividends to shareholders	(840,346)	-	(840,346)	-
Interest paid	(187,681)	(209,626)	(392,038)	(439,323)
<b>Net cash (used in) generated from financing activities</b>	(769,258)	388,427	(561,723)	459,793
<b>Net increase (decrease) in cash and cash equivalents</b>	652,442	912,512	1,080,133	(219,940)
Cash and cash equivalents at beginning of period	7,170,719	4,336,056	6,704,033	5,449,943
Effect of exchange rate changes on cash balances held in foreign currencies	(65)	(37,695)	38,930	(19,130)
<b>Cash and cash equivalents at end of period (Note i)</b>	7,823,096	5,210,873	7,823,096	5,210,873

**Notes to Statement of Cash Flows**

(i) Cash and cash equivalents comprise:

	Group	
	30 Jun 2009	30 Jun 2008
	\$	\$
Fixed deposits	24,560	23,706
Cash and bank balances	9,581,111	7,015,454
Bank overdrafts	(1,782,575)	(1,828,287)
	7,823,096	5,210,873

(ii) The improvement in the Group's **net cash generated from operating activities** on a quarter-on-quarter basis and for the half year ended 30 June 2009 was due to higher operating profit generated in the 2<sup>nd</sup> quarter and 1<sup>st</sup> half of 2009 as compared to its corresponding periods in 2008. In addition, we were able to better manage our cash flow by realising our receivables balances into cash balances for the settlement of trade and other payables.

**Net cash used in investing activities** was mainly related to the purchase of brooder stocks in both our Singapore and Malaysia farms and capital expenditure incurred for the construction and expansion of our Dragon Fish breeding facilities in Singapore, as well as on-going enhancement to the infrastructure and farm facilities in overseas entities.



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

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

During the 1<sup>st</sup> half of 2009, there were cash proceeds received from the issuance of new shares arising from exercise of warrants and the additional drawdown of bank loans granted by financial institutions. These amounts were utilised for the repayment to minority shareholder of a subsidiary and the settlement of finance lease obligations on a monthly basis, as well as the servicing of interest payments. The above, coupled with the payment of final dividends to shareholders in April 2009, results in the **net cash used in financing activities**.

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

Group	Equity attributable to equity holders of the Company					
	Share capital \$	Accumulated profits \$	Currency translation reserve \$	Total \$	Minority interests \$	Total Equity \$
<b>Balance at 1 Jan 2008</b>	29,295,961	19,295,700	(594,050)	47,997,611	7,635,185	55,632,796
<b>Changes in equity for the period:</b>						
Issue of new shares	115,954	-	-	115,954	-	115,954
Capital contribution	-	-	-	-	451,500	451,500
Total comprehensive income for the period	-	6,042,747	(565,149)	5,477,598	1,056,326	6,533,924
<b>Balance at 31 Dec 2008</b>	29,411,915	25,338,447	(1,159,199)	53,591,163	9,143,011	62,734,174
<b>Changes in equity for the period:</b>						
Issue of new shares	173,796	-	-	173,796	-	173,796
Total comprehensive income for the period	-	1,398,460	44,106	1,442,566	297,952	1,740,518
<b>Balance at 31 Mar 2009</b>	29,585,711	26,736,907	(1,115,093)	55,207,525	9,440,963	64,648,488
<b>Changes in equity for the period:</b>						
Issue of new shares	27,787	-	-	27,787	-	27,787
Total comprehensive income for the period	-	1,663,240	(209,863)	1,453,377	275,046	1,728,423
Payment of first and final dividend	-	(840,346)	-	(840,346)	-	(840,346)
<b>Balance at 30 Jun 2009</b>	29,613,498	27,559,801	(1,324,956)	55,848,343	9,716,009	65,564,352



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

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

Company	Share capital \$	Accumulated profits \$	Total \$
<b>Balance at 1 Jan 2008</b>	29,295,961	10,859,010	40,154,971
<b>Changes in equity for the period:</b>			
Issue of new shares	115,954	-	115,954
Total comprehensive income for the period	-	2,568,926	2,568,926
<b>Balance at 31 Dec 2008</b>	29,411,915	13,427,936	42,839,851
<b>Changes in equity for the period:</b>			
Issue of new shares	173,796	-	173,796
Total comprehensive income for the period	-	533,814	533,814
<b>Balance at 31 Mar 2009</b>	29,585,711	13,961,750	43,547,461
<b>Changes in equity for the period:</b>			
Issue of new shares	27,787	-	27,787
Total comprehensive income for the period	-	1,243,190	1,243,190
Payment of first and final dividend	-	(840,346)	(840,346)
<b>Balance at 30 Jun 2009</b>	<u>29,613,498</u>	<u>14,364,594</u>	<u>43,978,092</u>

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

Share capital	Number of shares	\$
<b>Ordinary shares issued and fully paid</b>		
Balance as at 1 Jan 2009	415,224,269	29,411,915
Issue of new shares		
- Exercise of warrants issued	5,759,524	201,583
Balance as at 30 Jun 2009	<u>420,983,793</u>	<u>29,613,498</u>

As at 30 June 2009, there were no (31/12/2008: Nil) unissued ordinary shares in the Company under options granted to eligible employees of the Group, including associates of controlling shareholders of the Company, under the Qian Hu Post-IPO Share Option Scheme.

The Company issued 64,965,868 warrants in September 2007, of which 25,428,467 were exercised by warrant holders to subscribe for 25,428,467 new ordinary shares of the Company at the exercise price of \$0.035 per share as at 31 December 2008. During the 1<sup>st</sup> half of 2009, an additional 5,759,524 warrants issued were exercised by warrant holders to subscribe for 5,759,524 new shares of the Company. Accordingly, there were 33,777,877 warrants outstanding as at 30 June 2009.



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

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

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the second quarter and half year ended 30 June 2009 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  
20 July 2009

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) as mentioned in paragraph 5 below, 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 2008.

5 **CHANGES IN ACCOUNTING POLICIES**

During the financial year, the Group and the Company adopted the amendments to FRS 1 (revised 2008) *Presentation of Financial Statements*, FRS 23 (revised 2007) *Borrowing Costs* and FRS 108 *Operating Segments*, which took effect from financial year beginning from 1 January 2009. These changes in accounting policies are now assessed to have no material impact to the results or the opening balances of the accumulated profits of the Group and of the Company for the year ending 31 December 2009.

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

	Group		Group	
	3 months ended 30 Jun	2008	6 months ended 30 Jun	2008
	2009	2008	2009	2008
EPS (based on consolidated net profit attributable to equity holders)				
- on weighted average number of ordinary shares on issue (cents)	0.39	0.36	0.73	0.67
- on a fully diluted basis (cents)	0.38	0.34	0.70	0.62

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 418,854,283 (30/6/2008: 413,941,112).

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 440,390,324 (30/6/2008: 444,132,322).



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

7 **NET ASSET VALUE PER SHARE**

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>	<b>30 Jun 2009</b>	<b>31 Dec 2008</b>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	15.57	15.11	10.45	10.32

Net asset value per share is computed based on the number of shares in issue as at 30 June 2009 of 420,983,793 (31/12/2008: 415,224,269).

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

**6 months 2009 vs 6 months 2008**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>6 months ended 30 Jun</b>		<b>\$'000</b>	<b>%</b>
	<b>2009</b>	<b>2008</b>		
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Fish	23,864	23,405	459	2.0
Accessories	18,033	17,501	532	3.0
Plastics	4,973	5,684	(711)	(12.5)
	<b>46,870</b>	<b>46,590</b>	<b>280</b>	<b>0.6</b>

For the 6 months ended 30 June 2009, the ornamental fish and accessories activities continued to be our core activities, which together accounted for almost 89% of total revenue. Our revenue increased by approximately \$0.3 million or 0.6% from \$46.6 million for the 6 months ended 30 June 2008 to \$46.9 million for the 6 months ended 30 June 2009.

On a geographical basis, revenue from Singapore dipped 7.6% while overseas grew marginally by 3.7% in 1<sup>st</sup> half of 2009 as compared to its corresponding period in 2008. Both the Singapore and overseas operations' constant effort in expanding our distribution network into overseas untapped markets contributed to the increase in overseas revenue.

**2Q 2009 vs 2Q 2008**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>2Q</b>		<b>\$'000</b>	<b>%</b>
	<b>2009</b>	<b>2008</b>		
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Fish	12,012	11,761	251	2.1
Accessories	9,151	8,752	399	4.6
Plastics	2,555	3,063	(508)	(16.6)
	<b>23,718</b>	<b>23,576</b>	<b>142</b>	<b>0.6</b>

Our revenue increased marginally by approximately \$0.1 million or 0.6% in the 2<sup>nd</sup> quarter of 2009 as compared to its corresponding period in 2008.



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

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

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

**2Q 2009 vs 2Q 2008 (cont'd)**

**Fish**

Dragon Fish sales continue to grow in tandem with our 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 2008.

**Accessories**

As highlighted in our previous announcements, with our accessories business being more export-oriented, we managed to leverage on our Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. Our subsidiaries in Malaysia, Thailand and China also managed to continue expanding their distribution network in those countries to capture more sales in the current quarter as compared to its corresponding period in 2008.

**Plastics**

Revenue from plastics activities registered a decline of \$0.5 million or 16.6% in the current quarter as compared to its corresponding period in 2008 mainly due to adjustments made to the selling prices of our plastic products following the significant reduction in the costs of our raw materials (resins – which fluctuate with the oil prices). Despite the reduction in revenue, we were able to command a better profit margin in the current quarter (please refer to commentary on profitability below).

**2Q 2009 vs 1Q 2009**

	Group		Increase	
	2Q 2009 \$'000	1Q 2009 \$'000	\$'000	%
Fish	12,012	11,852	160	1.3
Accessories	9,151	8,882	269	3.0
Plastics	2,555	2,418	137	5.7
	<u>23,718</u>	<u>23,152</u>	<u>566</u>	<u>2.4</u>

Our revenue increased by approximately \$0.5 million or 2.4% from \$23.2 million in the 1<sup>st</sup> quarter of 2009 to \$23.7 million in the 2<sup>nd</sup> quarter of 2009. All business activities registered growth in revenue during the current quarter as compared to the previous quarter.

**Fish**

During the 2<sup>nd</sup> quarter of 2009, our ornamental fish export sales from Singapore and Malaysia continued to generate higher revenue with more new markets. In addition, with the reliable source of demand for our Dragon Fish in both the domestic and overseas markets, we continue to record an increase in the sales of self-bred Dragon Fish as compared to that of the previous quarter.





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

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

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

**2Q 2009 vs 1Q 2009 (cont'd)**

**Accessories**

Revenue from our accessories activities grew steadily in the current quarter as compared to the previous quarter. All our subsidiaries in Malaysia, Thailand and China continue to channel in more sales with their expanding distribution network.

**Plastics**

With an enlarged customer and product base, our revenue from our plastics activities is also experiencing steady growth in the current quarter as compared to that of the previous quarter.

(b) **Profitability**

**6 months 2009 vs 6 months 2008**

	<b>Group</b>			
	<b>6 months ended 30 Jun</b>			
	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Fish	3,793	4,620	(827)	(17.9)
Accessories	1,319	1,012	307	30.3
Plastics	666	350	316	90.3
Unallocated corporate expenses	(1,141)	(1,490)	349	23.4
	<b>4,637</b>	<b>4,492</b>	<b>145</b>	<b>3.2</b>

In line with the marginal increase in revenue, our operating profit before taxation increase by approximately \$0.1 million or 3.2% from \$4.5 million for the half year ended 30 June 2008 to \$4.6 million for the half year ended 30 June 2009. Profit after taxation attributable to equity holders increased by 10.4% from \$2.8 million for the 6 months ended 30 June 2008 to approximately \$3.1 million for the 6 months ended 30 June 2009. Our fish business was the main profit contributor in the 1<sup>st</sup> half of 2009.

**2Q 2009 vs 2Q 2008**

	<b>Group</b>			
	<b>2Q</b>			
	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Fish	2,020	2,313	(293)	(12.7)
Accessories	717	566	151	26.7
Plastics	294	192	102	53.1
Unallocated corporate expenses	(479)	(705)	226	32.1
	<b>2,552</b>	<b>2,366</b>	<b>186</b>	<b>7.9</b>



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

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

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

**2Q 2009 vs 2Q 2008 (cont'd)**

**Fish**

Notwithstanding the higher revenue recorded, our operating profit from ornamental fish decreased by approximately \$0.3 million or 12.7% from \$2.3 million to \$2.0 million in the 2<sup>nd</sup> quarter of 2009 as compared to its corresponding period in 2008 mainly due to lower sales of our self-bred Dragon Fish which yielded better margin as compared to the sales of Dragon Fish sourced from third parties. With the completion of the new breeding facilities in our Malaysia farm in end 2008, we have managed to increase our production of self-bred Dragon Fish in the current quarter which would generate sales in the coming quarters.

*(P.S. Dragon Fish off-springs need 3 to 6 months to grow into marketable size)*

The reliant of our export of ornamental fish business continued to turn in consistent revenue and respectable profit margins.

**Accessories**

With improved revenue generated and better profit margin contributions from our export of accessories, operating profit from our accessories business increased by approximately \$0.2 million or 26.7% in the 2<sup>nd</sup> quarter of 2009 as compared to its corresponding period in 2008. In addition, the operational efficiency achieved by our Guangzhou factory with more production activities, has enhanced the profitability of the accessories business.

**Plastics**

During the current quarter, operating profit from our plastics activities increased significantly by \$0.1 million or 53.1% on a quarter-on-quarter basis despite a reduction in revenue as it has since managed to recoup its profit margin which was eroded in the 2<sup>nd</sup> quarter of 2008 as a result of increasing raw material (resins) prices then. In addition, its profitability was further lifted with cost-saving measures put in place as compared to its corresponding period in 2008.

**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.

**2Q 2009 vs 1Q 2009**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>2Q 2009 \$'000</b>	<b>1Q 2009 \$'000</b>	<b>\$'000</b>	<b>%</b>
Fish	2,020	1,773	247	13.9
Accessories	717	602	115	19.1
Plastics	294	372	(78)	(21.0)
Unallocated corporate expenses	(479)	(662)	183	27.6
	<b>2,552</b>	<b>2,085</b>	<b>467</b>	<b>22.4</b>



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

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

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

**2Q 2009 vs 1Q 2009 (cont'd)**

**Fish**

The operating profit from our ornamental fish activities increased by approximately \$0.2 million or 13.9% in the current quarter as compared to the previous quarter mainly due to better margins yielded from the increase in the sales of our self-bred Dragon Fish this quarter. As mentioned, with the completion of the new breeding facilities in our Malaysia farm in end 2008, we manage to sell more self-bred Dragon Fish in the 2<sup>nd</sup> quarter as compared to the 1<sup>st</sup> quarter of 2009 as Dragon Fish off-springs need 3 to 6 months to grow into marketable size.

**Accessories**

The increase in operating profit from our accessories activities were in accordance with the steady increase in revenue contributions.

**Plastics**

Despite registering improvement in revenue over the previous quarter, the decrease in operating profit from our plastics activities by \$0.1 million or 21.0% in the current quarter was mainly due to the relatively higher raw material (resins) prices as compared to the previous quarter, as well as the difference in product mix recorded in both quarters.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

**PROPECTS FOR FY 2009**

In FY 2009, our Group's growth will depend on:

**Increase in our export of ornamental fish**

Ornamental fish will continue to be an important core business activity of our Group. Currently, we export to more than 80 countries around the world from our export hubs in Singapore, Malaysia, Thailand and China. We believe that we are the region's biggest exporter of ornamental fish capturing around 5% of the world market share. While we will increase our efforts on expanding our export distribution to more countries around the world, we will focus on high-growth regions such as the Middle East, Eastern Europe, China and India.

**Escalation of our export of aquarium and pet accessories**

Our export footprint for aquarium and pet accessories will continue to expand. Currently, we export our accessories products to approximately 30 countries around the world but with limited presence in Europe. However, this is set to change through our 20% stake in Arcadia and the setting up of a marketing base in London. Through these, we aim to increase our visibility in the European continent and target to increase our export of aquarium and pet accessories to more than 40 countries within the year.

**Continued growth in our breeding and sales of Dragon Fish**

China, Taiwan, India and Japan are huge markets for Dragon Fish, and we have been experiencing increasing sales from these markets in the past few years. We envisage that our Dragon Fish sales will continue to grow in FY 2009.



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

10 **PROSPECTS (cont'd)**

Our collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish since 2003 has enabled us to increase the production of Dragon Fish in our farms, and hence enhance our Group's ability to meet the future increase in demand of Dragon Fish. Our "Qian Hu" Dragon Fish has gradually established itself as a premium brand in China.

**Increase in our profit margin**

Our Group's current business model has become more robust and diversified after the completion of the restructuring exercise in FY 2006. Our profit margins had shown improvement in the subsequent two years (FY 2007 & FY 2008). In the current financial year, we will focus on containing operating costs and increasing our productivity which accordingly, our profit should grow at a faster pace than that of the increase in revenue (in terms of percentage). As we are operating in a niche market, namely the lifestyle and service industry, we believe that we can achieve respectable profit margin by leveraging on our own house brands, strong R&D efforts and an efficient supply chain management.

**Expansion of our domestic distribution network**

Our headquarters in Singapore, together with our subsidiaries in Bangkok, Kuala Lumpur, Beijing, Shanghai, and Guangzhou distribute ornamental fish and aquarium and pet accessories in their respective countries. The Singapore base should record organic growth, but we anticipate that the Thailand, Malaysia and China markets will continue to grow healthily with much untapped markets. In China, we intend to further increase our distribution points from the existing 180 locations (from 150 locations in FY 2008) to more than 200 locations by end Year 2009.

**In spite of the lingering global economic situation, we envisage – barring any unforeseen circumstances – continued growth in our revenue and profitability in the 2<sup>nd</sup> half of 2009.**

**OUR LONG-TERM PROPECTS**

**To be the world's Number 1 ornamental fish exporter**

As mentioned earlier, currently, we export ornamental fish to more than 80 countries around the world and we believe that Qian Hu has captured around 5% of the world's market share in terms of ornamental fish export. Our long-term goal is to double our global market share to 10% and that we are able to export ornamental fish to 100 countries – this will make us the top ornamental fish exporter in the world. We hope to achieve this by exporting more ornamental fish to more customers and countries all over the world from our existing distribution hubs and exporting more Dragon Fish to China, India and Vietnam.

In addition, we are looking out for opportunities in Indonesia, Vietnam and the Middle East to develop our distribution network and to set up new joint ventures in these markets which we are not too familiar with (instead of running the operations solely). Through these possible opportunities and strategic joint ventures, we believe that there will be a positive contribution to our ornamental fish revenue moving forward.

**To improve revenue contribution from pet accessories**

In FY 2008, the percentage of our ornamental fish and aquarium and pet accessories revenue was 49% and 38% of total revenue respectively, and within accessories, approximately 90% were revenue contribution from aquarium accessories products with the balance 10% from the pet accessories business. It is our long-term target to have equal revenue contribution from both the ornamental fish and the accessories businesses. In addition, within the accessories segment, half of the revenue should be from aquarium accessories sales and the other half from pet accessories. In order to achieve that, we will continue to leverage on our own house-brands, namely "BARK" and "Nature Gift" for dog accessories products, "Aristo-cats YI HU" for cat accessories products and "Delikate" for small animals.



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

10 **PROSPECTS (cont'd)**

**OUR LONG-TERM PROPECTS (cont'd)**

**To export our aquarium and pet accessories to more countries**

It is our intention to grow our export of aquarium and pet accessories to as many countries as our ornamental fish export in five years' time. We aim to do this by cross selling our accessories products to our existing ornamental fish customers, as well as expanding our customer base in new countries through active marketing and participation in trade shows. It is important that we focus on innovative product development, ensuring consistency in quality and the building up of our own propriety brand names.

**To have the widest distribution network in China and India**

*China*

With more than 180 distribution points across China distributing our Dragon Fish and aquarium accessories, we are on track to achieving our target of more than 250 locations in the next few years by increasing our marketing efforts and leveraging on our premium brand status.

*India*

Our newly set up joint venture in Chennai, India will initially focus on the manufacturing of aquarium accessories and fish foods. However, we also intend to grow our distribution network for ornamental fish in various cities in India eventually. Similar to our vision for China, our aim is to have the widest distribution network in the India subcontinent.

**To continue our investment in research & development (“R&D”)**

We have set up a R&D department in the Singapore HQ in the 1<sup>st</sup> quarter of 2009. With the conscientious R&D effort put into the researching of Dragon Fish breeding behaviour, we aim to be Asia's most innovative and profitable dragon fish breeder. Our R&D work will also be integrated in nature, for instance, by making use of our fish breeding experience to develop innovative and practical aquarium accessories such as filters and tanks.

**To be able to change in accordance with the changing environment and to continue to differentiate ourselves**

The achievability of our long-term growth will depend on our ability to change and react in accordance with the ever changing environment. We have demonstrated our tenacity by enduring the painful process of restructuring in FY 2004. We will work on building up a knowledgeable and competitive workforce, to keep on differentiating ourselves through innovative products and services, to pursue business excellent practices and finding new ways of doing things. We need to challenge the status quo and to better equip ourselves so that we can build an organisation that will last for generations.

**To stay focused in whatever we do**

We are an integrated ornamental fish service provider and must always capitalise on our core competencies and stay focus dealing with the ornamental fish and aquarium and pet accessories related activities. We may be a small company now but we are in a niche market and we are one of the leaders in the ornamental fish market. By staying focused, and relentlessly pursuing business excellence, Qian Hu will become a bigger and better company one day and we will continue to enjoy better long-term prospects.

11 **DIVIDEND**

No interim dividend for the half year ended 30 June 2009 is recommended.



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

12 **INTERESTED PERSON TRANSACTIONS**

Except for consultancy fees amounting to \$8,300 (30/6/2008: Nil) 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 the half year ended 30 June 2009.

13 **SEGMENT INFORMATION**

(a) **Business segments**

<b>Group</b>	<b>6 months ended 30 June 2009</b>				
	<b>Fish</b> \$'000	<b>Accessories</b> \$'000	<b>Plastics</b> \$'000	<b>Eliminations</b> \$'000	<b>Total</b> \$'000
<b>Revenue</b>					
External revenue	23,864	18,033	4,973	-	46,870
Inter-segment revenue	2,233	3,985	80	(6,298)	-
<b>Total Revenue</b>	<b>26,097</b>	<b>22,018</b>	<b>5,053</b>	<b>(6,298)</b>	<b>46,870</b>
<b>Results</b>					
Segment results	4,024	1,340	665	11	6,040
Unallocated expenses					(1,016)
					5,024
Financial expenses - net					(383)
					4,641
Share of losses of associate					(4)
Profit before taxation					4,637
Taxation					(924)
<b>Profit for the period</b>					<b>3,713</b>
<b>Net profit margin</b>	<b>16.9%</b>	<b>7.4%</b>	<b>13.4%</b>		<b>7.9%</b>
<b>Assets and Liabilities</b>					
Assets	65,319	30,501	3,823	-	99,643
Investment in associate					1,098
Unallocated assets					1,314
<b>Total Assets</b>					<b>102,055</b>
Liabilities	11,640	3,619	1,606	-	16,865
Unallocated liabilities					19,626
<b>Total Liabilities</b>					<b>36,491</b>
<b>Other Information</b>					
Capital expenditure	2,941	861	13	-	3,815
Depreciation and amortisation	828	415	72	-	1,315
Other non-cash expenses (income)	175	52	(1)	-	226



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

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

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

Group	6 months ended 30 June 2008				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
<b>Revenue</b>					
External revenue	23,405	17,501	5,684	-	46,590
Inter-segment revenue	2,377	4,353	88	(6,818)	-
<b>Total Revenue</b>	<b>25,782</b>	<b>21,854</b>	<b>5,772</b>	<b>(6,818)</b>	<b>46,590</b>
<b>Results</b>					
Segment results	4,794	1,044	350	5	6,193
Unallocated expenses					(1,271)
					4,922
Financial expenses - net					(432)
					4,490
Share of profits of associate					2
Profit before taxation					4,492
Taxation					(1,035)
<b>Profit for the period</b>					<b>3,457</b>
<b>Net profit margin</b>	<b>20.5%</b>	<b>6.0%</b>	<b>6.2%</b>		<b>7.4%</b>
<b>Assets and Liabilities</b>					
Assets	56,707	28,048	4,095	-	88,850
Investment in associate					1,698
Unallocated assets					1,269
<b>Total Assets</b>					<b>91,817</b>
Liabilities	11,197	4,387	1,762	-	17,346
Unallocated liabilities					15,594
<b>Total Liabilities</b>					<b>32,940</b>
<b>Other Information</b>					
Capital expenditure	5,361	397	52	-	5,810
Depreciation and amortisation	732	372	83	-	1,187
Other non-cash expenses	32	16	15	-	63



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

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

(b) **Geographical segments**

Group	Revenue		Assets		Capital expenditure	
	6 months ended 30 Jun		6 months ended 30 Jun		6 months ended 30 Jun	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	11,776	12,739	32,543	27,948	1,984	1,432
Other Asian countries	19,591	20,190	68,414	62,171	1,831	4,378
Europe	10,411	9,284	1,098	1,698	-	-
Others	5,092	4,377	-	-	-	-
<b>Total</b>	<b>46,870</b>	<b>46,590</b>	<b>102,055</b>	<b>91,817</b>	<b>3,815</b>	<b>5,810</b>

14 **BREAKDOWN OF REVENUE**

Revenue (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
<b>2Q 2009</b>				
Singapore (including domestic sales & sales to Singapore)	1,655	1,824	2,461	5,940
Overseas (including export to & sales in overseas)	10,357	7,327	94	17,778
<b>Total revenue</b>	<b>12,012</b>	<b>9,151</b>	<b>2,555</b>	<b>23,718</b>
<b>2Q 2008</b>				
Singapore	1,260	1,914	2,946	6,120
Overseas	10,501	6,838	117	17,456
<b>Total revenue</b>	<b>11,761</b>	<b>8,752</b>	<b>3,063</b>	<b>23,576</b>
<b>6 months ended 30 Jun 2009</b>				
Singapore (including domestic sales & sales to Singapore)	3,257	3,716	4,803	11,776
Overseas (including export to & sales in overseas)	20,607	14,317	170	35,094
<b>Total revenue</b>	<b>23,864</b>	<b>18,033</b>	<b>4,973</b>	<b>46,870</b>
<b>6 months ended 30 Jun 2008</b>				
Singapore	3,312	3,928	5,499	12,739
Overseas	20,093	13,573	185	33,851
<b>Total revenue</b>	<b>23,405</b>	<b>17,501</b>	<b>5,684</b>	<b>46,590</b>

**BY ORDER OF THE BOARD**

Kenny Yap Kim Lee  
Executive Chairman and Managing Director  
20 July 2009