QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

TABLE OF CONTENTS

QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) **INCOME STATEMENT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Note	Group			Group		
		3 months ended 31 Dec			Financial year ended 31 Dec		
		2010	2009	Change	2010	2009	Change
		$'000	$'000	%	$'000	$'000	%
Revenue		22,239	23,867	(6.8)	91,163	94,611	(3.6)
Cost of sales		(15,266)	(15,775)	(3.2)	(61,916)	(61,901)	0.0
Gross profit		6,973	8,092	(13.8)	29,247	32,710	(10.6)
Other operating (expenses) income	i	(9)	44	(120.5)	114	132	(13.6)
		6,964	8,136	(14.4)	29,361	32,842	(10.6)
Selling & distribution expenses	ii	(344)	(375)	(8.3)	(1,585)	(1,821)	(13.0)
General & administrative expenses	ii	(5,785)	(5,069)	14.1	(21,914)	(20,879)	5.0
Results from operating activities	iii	835	2,692	(69.0)	5,862	10,142	(42.2)
Financial income	v	2	2	-	5	6	(16.7)
Financial expenses	v	(113)	(137)	(17.5)	(501)	(688)	(27.2)
		724	2,557	(71.7)	5,366	9,460	(43.3)
Share of (losses) profits of associates	iv	(1)	13	(107.7)	(67)	(20)	235.0
Profit before income tax		723	2,570	(71.9)	5,299	9,440	(43.9)
Income tax expense	vi	(16)	(516)	(96.9)	(782)	(1,795)	(56.4)
Profit for the period/year		707	2,054	(65.6)	4,517	7,645	(40.9)
Attributable to:							
Equity holders of the Company		**634**	**1,799**	**(64.8)**	**4,209**	**6,544**	**(35.7)**
Non-controlling interests		73	255	(71.4)	308	1,101	(72.0)
Profit for the period/year		707	2,054	(65.6)	4,517	7,645	(40.9)
Gross profit margin		31.4%	33.9%		32.1%	34.6%	
Net profit margin		3.2%	8.6%		5.0%	8.1%	
Effective tax rate		18.1%	20.4%		16.9%	19.1%	
Return on equity		-	-		6.2%	11.0%	

QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group			Group		
	3 months ended 31 Dec			Financial year ended 31 Dec		
	2010	2009	Change	2010	2009	Change
	$'000	$'000	%	$'000	$'000	%
Profit for the period/year	707	2,054	(65.6)	4,517	7,645	(40.9)
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	(475)	(10)	NM	624	(460)	(235.7)
Other comprehensive income for the period/year, net of tax	(475)	(10)	NM	624	(460)	(235.7)
Total comprehensive income for the period/year	232	2,044	(88.6)	5,141	7,185	(28.4)
Attributable to:						
Equity holders of the Company	**310**	**1,792**	**(82.7)**	**4,621**	**6,232**	**(25.9)**
Non-controlling interests	(78)	252	(131.0)	520	953	(45.4)
Total comprehensive income for the period/year	232	2,044	(88.6)	5,141	7,185	(28.4)

NM: Not Meaningful

Notes to Income Statement

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

The decrease in other operating income in the 4th quarter of 2010 and in the current financial year as compared to that of the corresponding periods in 2009 was mainly due to loss on disposal of property, plant and equipment of $23K (2009: Gain on disposal of property, plant and equipment of $33K).

(ii) **Selling & distribution expenses**
General & administration 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 and throughout the financial year. The increase in general and administrative expenses in the current quarter and on a year-on-year basis as compared to the corresponding periods in 2009 was mainly due to the increase in allowance made for doubtful trade receivables of $122K and $322K respectively.

Accordingly, in line with the cost saving measures in place, there was a reduction in selling and distribution expenses incurred by the Group of approximately 8.3% and 13.0% for the 4th quarter and for financial year ended 31 December 2010 respectively.

Notes to Income Statement (cont'd)

(iii) Profit from operations

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Auditors' remuneration				
- auditors of the Company	23	23	77	77
- other auditors	11	8	29	25
Non-audit fees				
- other auditors	15	24	24	41
Directors' fees				
- directors of the Company	15	15	75	60
Directors' remuneration				
- directors of the Company	257	341	1,024	1,202
- directors of subsidiaries	141	138	567	547
Amortisation of product listing fees	-	-	-	8
Bad trade receivables				
- written off	5	-	8	-
- recovered	-	-	(1)	(1)
Depreciation of				
- property, plant and equipment	514	510	2,128	2,031
- brooder stocks	158	158	663	595
Property, plant and equipment written off	-	-	11	44
Loss (Gain) on disposal of property, plant and equipment	37	(7)	23	(33)
Allowance for (Write back of)				
- doubtful trade receivables	182	60	621	299
- inventory obsolescence	(122)	(43)	(170)	129
Operating lease expenses	304	262	1,142	1,052
Personnel expenses *	3,381	2,825	12,471	11,908
Exchange gain, net	20	(119)	(496)	(422)
Change in fair value less estimated point-of-sale costs	(235)	106	(235)	106

* Include directors' remuneration.

(iv) Share of losses of associates

The losses were mainly a result of the write off of setting up costs and pre-operating expenses incurred by our newly incorporated associate in India since its incorporation in FY 2009. With the operation of the aquarium tank production line in September 2010, the efficiency and productivity of the factory have been enhanced and its profitability has improved accordingly.

Notes to Income Statement (cont'd)

(v) **Financial income**
Financial expenses

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Interest expense				
- bank loans and overdrafts	58	84	279	494
- bills payable	47	45	187	161
- finance lease liabilities	8	8	35	33
	113	137	501	688
Interest income				
- bank deposits	(2)	(2)	(5)	(6)
Net financial expenses	111	135	496	682

The reduction in interest expenses by 17.5% and 27.2% in the 4th quarter of 2010 and FY 2010 respectively as compared to its corresponding periods in 2009 was mainly due to lower bank borrowings coupled with lower interest rates charged by the financial institutions.

(vi) **Income tax expense**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current tax				
- current year	296	410	1,062	1,262
- over provision in respect of prior years	(483)	(9)	(473)	(12)
Deferred tax				
- temporary differences	(165)	115	(165)	545
- over provision in respect of prior year	368	-	358	-
	16	516	782	1,795

The effective tax charge of the Group in the 4th quarter of both financial years were higher than the amount obtained by applying the statutory tax rate on profit before income tax mainly due to varying statutory tax rates of different countries in which the Group operates and that the losses incurred by a subsidiary were not available to offset against profits earned by other companies in the Group.

The lower tax effective tax rate of 16.9% in the current financial year as compared to 19.1% in FY 2009 was due to lower profit contribution from entities with a higher tax rate in FY 2010.

As at 31 December 2010, the Group has unutilised tax losses of approximately $87,799 (2009: $381,318) available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate. The potential deferred tax assets have not been recognised in the financial statements because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

1(b) STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
		$	$	$	$
Equity attributable to equity holders of the Company					
Share capital	i	30,772,788	29,654,922	30,772,788	29,654,922
Reserves		31,950,533	29,571,319	17,217,641	16,163,180
		62,723,321	**59,226,241**	**47,990,429**	**45,818,102**
Non-Controlling Interests		10,306,875	9,993,905	-	-
Total Equity		**73,030,196**	**69,220,146**	**47,990,429**	**45,818,102**
Non-Current Assets					
Property, plant and equipment		13,783,353	15,941,572	5,872,096	6,490,153
Brooder stocks	ii	30,249,743	30,315,749	3,050,422	3,118,922
Investments in subsidiaries	iii	-	-	12,012,586	11,991,086
Investments in associates	iv	1,103,239	1,170,729	1,215,200	1,215,200
Intangible assets	v	2,308,668	2,308,668	343,048	343,048
Current Assets					
Inventories	vi	24,083,701	20,953,851	6,801,252	6,013,978
Breeder stocks	vii	1,283,395	1,505,620	426,195	420,250
Trade receivables	viii	19,181,907	18,095,023	8,914,446	7,515,594
Other receivables, deposits and prepayments	ix	2,295,924	2,291,442	668,271	700,011
Due from					
- subsidiaries (trade)		-	-	18,417,476	18,364,613
- subsidiaries (non-trade)		-	-	3,739,571	4,111,996
- associates (trade)		1,428,151	1,337,808	15,208	143,290
Fixed deposits		24,560	24,560	24,560	24,560
Cash and bank balances		11,665,987	9,822,054	6,078,746	5,296,701
		59,963,625	54,030,358	45,085,725	42,590,993
Current Liabilities					
Trade payables		8,445,380	7,663,353	3,262,353	3,391,840
Bills payable to banks (unsecured)	x	4,362,995	4,290,129	572,412	709,078
Other payables and accruals	xi	4,491,483	4,717,107	3,117,915	3,679,971
Due to					
- subsidiaries (trade)		-	-	63,004	82,028
- subsidiaries (non-trade)		-	-	1,230,000	1,430,000
Finance lease liabilities	xii	177,886	179,992	57,578	73,221
Bank term loans	xiii	11,480,104	12,068,331	10,300,000	9,800,000
Current tax payable		718,673	1,250,252	314,165	567,182
		29,676,521	30,169,164	18,917,427	19,733,320
Net Current Assets		30,287,104	23,861,194	26,168,298	22,857,673
Non-Current Liabilities					
Finance lease liabilities	xii	(372,818)	(321,502)	(114,626)	(97,980)
Deferred tax liabilities		(4,329,093)	(4,056,264)	(556,595)	(100,000)
Net Assets		**73,030,196**	**69,220,146**	**47,990,429**	**45,818,102**

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

	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Inventory turnover (days)	141	137	75	80
Trade receivables turnover (days)	75	73	63	57
Debt equity ratio	0.47	0.50	0.41	0.44

Notes to Statements of Financial Position

(i) **Share capital**

	Number of shares	$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2010	422,167,317	29,654,922
Issue of new shares		
- Exercise of warrants issued	31,939,033	1,117,866
Balance as at 31 Dec 2010	454,106,350	30,772,788

The Company issued 64,965,868 warrants in September 2007 (the "Warrants"), of which 32,371,515 were exercised by warrant holders to subscribe for 32,371,515 new ordinary shares of the Company at the exercise price of $0.035 per share as at 31 December 2009. During the financial year ended 31 December 2010, an additional 31,939,033 Warrants were exercised by warrant holders to subscribe for 31,939,033 new shares of the Company.

In accordance with the terms and conditions of the Warrants, the rights to subscribe for new ordinary shares in the capital of the Company comprised in the Warrants have expired on 17 September 2010. Any subscription rights comprised under the Warrants which have not been exercised have ceased to be valid for any purposes. These Warrants were delisted from SGX-ST with effect from 20 September 2010. There were 64,310,548 Warrants duly exercised into new ordinary shares of the Company from 20 September 2007 to 17 September 2010.

The Company did not hold any treasury shares as at 31 December 2010 (2009: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the financial year ended 31 December 2010.

(ii) **Brooder stocks**

	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	$	$	$	$
Cost				
Balance as at 1 Jan	32,512,011	28,410,881	3,425,000	1,459,500
Additions during the year	-	5,056,650	-	1,965,500
Disposals during the year	-	(437,778)	-	-
Translation differences	638,496	(517,742)	-	-
Balance as at 31 Dec	33,150,507	32,512,011	3,425,000	3,425,000

Notes to Statements of Financial Position (cont'd)

(ii) **Brooder stocks (cont'd)**

	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	$	$	$	$
Accumulated depreciation and impairment losses				
Balance as at 1 Jan	2,196,262	1,664,988	306,078	262,710
Depreciation charge for the year	663,010	594,626	68,500	43,368
Disposals during the year	-	(34,588)	-	-
Translation differences	41,492	(28,764)	-	-
Balance as at 31 Dec	2,900,764	2,196,262	374,578	306,078
Net carrying value				
Balance as at 31 Dec	30,249,743	30,315,749	3,050,422	3,118,922

Brooder stocks are parent stocks of Dragon Fish, held by the Group and the Company for use in the breeding of Dragon Fish. Due to the uniqueness of each Dragon Fish and as an active market does not exist for the brooder stocks, the brooder stocks are stated at cost less accumulated depreciation and accumulated impairment loss.

(iii) **Investments in subsidiaries**

The details of subsidiaries are as follows:

Name	Effective equity interest held by the Group		Cost of investment by the Company		
	31 Dec 2010	31 Dec 2009	31 Dec 2010		31 Dec 2009
	%	%	$		$
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	#	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
		Balance carried forward	11,860,033		11,838,533

Notes to Statements of Financial Position (cont'd)

(iii) **Investments in subsidiaries (cont'd)**

Name	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	%	%	$	$
	Balance brought forward		11,860,033	11,838,533
Thai Qian Hu Company Limited and its subsidiary (Thailand)	60	60	121,554	121,554
- Advance Aquatic Co., Ltd. ^ (Thailand)	60	-	-	-
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
			12,012,586	11,991,086

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

\# Additional investment to increase the paid up capital of the company to RM350,000.

^ Incorporated in November 2010 with a paid up capital of Baht 5 million.

KPMG LLP, Singapore, is the auditor of the Singapore-incorporated subsidiary. Another member firm of KPMG International Cooperative is the auditor of a significant foreign-incorporated subsidiary (as defined under Listing Rule 718 of the Singapore Exchange Listing Manual), namely Kim Kang Aquaculture Sdn Bhd.

(iv) **Investments in associates**

The details of associates are as follows:

	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	$	$	$	$
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
	1,215,200	1,215,200	1,215,200	1,215,200
Share of post-acquisition losses	(111,961)	(44,471)	-	-
	1,103,239	1,170,729	1,215,200	1,215,200

Name of associate	Principal activities	Effective equity held by the Group	
		31 Dec 2010	31 Dec 2009
		%	%
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

Notes to Statements of Financial Position (cont'd)

(v) **Intangible assets**

	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	$	$	$	$
Trademarks/customer acquisition costs	938,414	938,051	921,497	921,497
Product listing fees	196,153	196,153	196,153	196,153
Goodwill on consolidation	1,965,620	1,965,620	-	-
	3,100,187	3,099,824	1,117,650	1,117,650
Less accumulated amortisation	(791,519)	(791,156)	(774,602)	(774,602)
	2,308,668	2,308,668	343,048	343,048

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. The trademarks/customer acquisition costs were determined to have indefinite lives and were no longer amortised but subjected to annual impairment testing.

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 subject to annual impairment testing.

(vi) **Inventories**

	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	$	$	$	$
Fish	5,869,770	5,750,255	2,232,362	2,335,058
Accessories	17,667,733	15,030,420	4,828,890	4,108,920
Plastics products - raw materials	387,369	283,461	-	-
Plastics products - finished goods	512,619	413,505	-	-
	24,437,491	21,477,641	7,061,252	6,443,978
Less allowance for inventory obsolescence	(353,790)	(523,790)	(260,000)	(430,000)
	24,083,701	20,953,851	6,801,252	6,013,978

The increase in accessories inventory balance as at 31 December 2010 was mainly due to higher raw materials held in our Guangzhou factory for the production of the newly developed revolutionary filtration system as well as to fulfill the new production orders from its OEM customers due for delivery in the coming quarter. Accordingly, it has resulted in the increase in trade payables as at 31 December 2010.

Notes to Statements of Financial Position (cont'd)

(vii) **Breeder stocks**

	Group		Company	
	31 Dec 2010	**31 Dec 2009**	**31 Dec 2010**	**31 Dec 2009**
	$	$	$	$
As at 1 January	1,505,620	1,595,170	420,250	444,690
Change in fair value less estimated point-of-sale costs	234,888	(105,960)	70,995	(64,740)
Decreases due to sales	(3,160,065)	(1,650,310)	(1,202,445)	(617,250)
Net increase due to births	2,702,952	1,666,720	1,137,395	657,550
As at 31 December	1,283,395	1,505,620	426,195	420,250

(viii) **Trade receivables**

	Group		Company	
	31 Dec 2010	**31 Dec 2009**	**31 Dec 2010**	**31 Dec 2009**
	$	$	$	$
Trade receivables	21,385,406	20,141,960	10,889,881	9,333,135
Less allowance for doubtful trade receivables	(2,203,499)	(2,046,937)	(1,975,435)	(1,817,541)
	19,181,907	18,095,023	8,914,446	7,515,594

The increase in trade receivables as at 31 December 2010 was mainly due to higher credit sales generated in the last quarter of 2010. The trade receivables turnover days have remained relatively consistent for both financial years. The Group typically grants existing customers credit terms of 30 to 90 days.

(ix) **Other receivables, deposits and prepayments**

	Group		Company	
	31 Dec 2010	**31 Dec 2009**	**31 Dec 2010**	**31 Dec 2009**
	$	$	$	$
Other receivables	334,359	342,225	128,730	144,215
Deposits	349,101	309,718	60,230	58,630
Prepayments	596,424	676,562	174,835	197,031
Advances to suppliers	254,479	301,616	251,930	300,135
Deposits for purchase of property, plant and equipment	80,518	-	52,546	-
Tax recoverable	681,043	661,321	-	-
	2,295,924	2,291,442	668,271	700,011

(x) **Bills payable to banks**

The weighted average effective interest rates per annum relating to bills payable to banks for the Group and the Company as at 31 December 2010 are 4.41% (2009: 3.77%) and 5.25% (2009: 5.25%) respectively. These bills mature within one to three months from the reporting date.

Notes to Statements of Financial Position (cont'd)

(xi) Other payables and accruals

	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	$	$	$	$
Accrued operating expenses	254,596	321,336	154,504	145,822
Accrued staff costs	1,577,273	2,020,451	1,163,831	1,554,058
Other payables	1,992,147	2,347,739	1,706,259	1,974,513
Advance received from customers	667,467	27,581	93,321	5,578
	4,491,483	4,717,107	3,117,915	3,679,971

The reduction of other payables and accruals as at 31 December 2010 was mainly due to lower amount of freight expenses payable as at 31 December 2010. In addition, the amount of provision made for bonus payment is lower in the current financial year, which is in line with the lower profit registered as compared to FY 2009.

(xii) Finance lease liabilities

Group

	Payments	Interest	Principal
31 Dec 2010	$	$	$
Payable:			
After 1 year but within 5 years	417,056	(44,238)	372,818
Within 1 year	202,639	(24,753)	177,886
	619,695	(68,991)	550,704
31 Dec 2009			
Payable:			
After 1 year but within 5 years	356,186	(34,684)	321,502
Within 1 year	202,080	(22,088)	179,992
	558,266	(56,772)	501,494

Company

	Payments	Interest	Principal
31 Dec 2010	$	$	$
Payable:			
After 1 year but within 5 years	134,519	(19,893)	114,626
Within 1 year	67,398	(9,820)	57,578
	201,917	(29,713)	172,204
31 Dec 2009			
Payable:			
After 1 year but within 5 years	114,881	(16,901)	97,980
Within 1 year	83,407	(10,186)	73,221
	198,288	(27,087)	171,201

The increase in finance lease liabilities as at 31 December 2010 was due to the purchase of seven motor vehicles under hire purchase arrangements during the current financial year.

Notes to Statements of Financial Position (cont'd)

(xiii) **Bank term loans**

	Group		Company	
	31 Dec 2010	**31 Dec 2009**	**31 Dec 2010**	**31 Dec 2009**
	$	$	$	$
Short term loans (unsecured)	10,300,000	9,800,000	10,300,000	9,800,000
Long-term loans				
- secured	-	73,401	-	-
- unsecured	1,180,104	2,194,930	-	-
	1,180,104	2,268,331	-	-
	11,480,104	12,068,331	10,300,000	9,800,000

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2009 and 2010.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.31% to 1.43% (2009: 1.48% to 2.18%) per annum and are repayable within the next 12 months from the reporting date.

The long-term loans outstanding as at 31 December 2010, taken by a subsidiary, comprise:

- a 10-year unsecured bank loan of RM2.5 million, bears interest at 7.80% (2009: 7.05%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- a 5-year unsecured bank loan of RM3.0 million, bears interest at 7.30% (2009: 6.55%) per annum and is repayable in 60 monthly instalments commencing May 2009.

In addition, included in the long-term loans outstanding as at 31 December 2009, there was a 7-year bank loan of RM0.5 million (secured by a mortgage on a subsidiary's freehold land, repayable in 84 monthly instalments commencing January 2005) which bore interest at 6.80% per annum and a 5-year unsecured bank loan of RM1.85 million (unsecured, repayable in 60 monthly instalments commencing August 2006) which bore interest at 7.05% per annum. These amounts have since been fully repaid in April and July 2010 respectively.

The Group has classified bank term loans of $797,096 (2009: $1,735,234) not scheduled for repayment within twelve months from the reporting date as current liabilities as the Group does not have the unconditional right at the reporting date to defer settlement for at least twelve months after the reporting period and these loans can be called by the bank lenders at any time even if there is no default. The comparative amounts have been reclassified for consistency. The Group has not presented a statement of financial position as at 1 January 2009 reflecting similar reclassification as the impact of the reclassification and additional information would not be material to an understanding of the financial statements or financial position of the Group.

As at 31 December 2010, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $11.2 million (2009: $11.0 million).

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2010	2009	2010	2009
	$	$	$	$
Cash flows from operating activities				
Profit before income tax	722,539	2,570,980	5,298,988	9,440,573
Adjustments for:				
Bad trade receivables				
- written off	4,796	49	7,621	479
- recovered	-	-	(710)	(755)
Depreciation of				
- property, plant and equipment	513,619	510,226	2,128,116	2,030,705
- brooder stocks	158,303	158,369	663,010	594,626
Loss (Gain) on disposal of property, plant and equipment	37,393	(6,618)	22,625	(33,373)
Property, plant and equipment written off	-	217	10,692	43,648
Change in fair value less estimated point-of-sale costs	(234,888)	105,960	(234,888)	105,960
Amortisation of product listing fees	-	243	-	8,323
Allowance for (Write back of)				
- doubtful trade receivables	181,556	60,380	620,550	299,085
- inventory obsolescence	(122,000)	(42,800)	(170,000)	129,000
Share of losses (profits) of associates	1,490	(13,503)	67,490	19,665
Interest expense	112,250	136,181	500,316	687,671
Interest income	(1,670)	(1,538)	(4,523)	(6,063)
Operating profit before working capital changes	1,373,388	3,478,146	8,909,287	13,319,544
(Increase) Decrease in:				
Inventories	(270,471)	997,386	(2,789,831)	65,351
Breeder stocks	457,113	(16,410)	457,113	(16,410)
Trade receivables	(1,328,432)	1,021,107	(1,753,306)	1,246,734
Other receivables, deposits and prepayments	330,208	20,972	29,752	421,044
Due from associates (trade)	(181,070)	(281)	(148,049)	71,108
Increase (Decrease) in:				
Trade payables	(40,152)	(170,691)	742,653	(1,453,956)
Bills payable to banks	(4,539)	(647,238)	(5,742)	201,115
Other payables and accruals	809,161	629,997	(235,510)	(450,120)
Cash generated from operating activities	1,145,206	5,312,988	5,206,367	13,404,410
Refund (Payment) of income tax	220,429	16,851	(1,149,736)	(1,166,744)
Net cash from operating activities	1,365,635	5,329,839	4,056,631	12,237,666
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(285,579)	(1,133,335)	(1,251,806)	(3,427,793)
- brooder stocks	-	(1,483,790)	-	(3,303,960)
Proceeds from disposal of property, plant and equipment	1,674,745	11,439	1,690,103	53,297
Payment for trademarks/customer acquisition costs	-	(21,398)	-	(111,599)
Investment in an associate	-	-	-	(402,600)
Interest received	1,670	1,538	4,523	6,063
Net cash from (used in) investing activities	1,390,836	(2,625,546)	442,820	(7,186,592)

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)**

	Group 3 months ended 31 Dec 2010	Group 3 months ended 31 Dec 2009	Group Financial year ended 31 Dec 2010	Group Financial year ended 31 Dec 2009
	$	$	$	$
Cash flows from financing activities				
Proceeds from issuance of new shares	-	28,754	1,117,866	243,007
Drawdown of bank term loans	500,000	-	500,000	813,000
Repayment of				
- finance lease obligations	(48,536)	(84,444)	(217,488)	(203,256)
- bank term loans	-	(627,346)	(1,155,324)	(1,026,814)
- loans from non-controlling shareholder of a subsidiary	-	(13,311)	-	(119,833)
Payment of dividends to				
- shareholders of the Company	-	-	(2,241,701)	(840,346)
- non-controlling shareholder of a subsidiary	(103,200)	-	(207,360)	(102,000)
Interest paid	(112,704)	(135,123)	(503,578)	(692,457)
Net cash from (used in) financing activities	235,560	(831,470)	(2,707,585)	(1,928,699)
Net increase in cash and cash equivalents	2,992,031	1,872,823	1,791,866	3,122,375
Cash and cash equivalents at beginning of period/year	8,714,217	7,979,838	9,846,614	6,704,033
Effect of exchange rate changes on cash balances held in foreign currencies	(15,701)	(6,047)	52,067	20,206
Cash and cash equivalents at end of period/year (Note i)	11,690,547	9,846,614	11,690,547	9,846,614

Notes to Statement of Cash Flows

(i) Cash and cash equivalents comprise:

	Group 31 Dec 2010	Group 31 Dec 2009
	$	$
Fixed deposits	24,560	24,560
Cash and bank balances	11,665,987	9,822,054
	11,690,547	9,846,614

Fixed deposits bear average effective interest rate of 0.7% (2009: 1.14%) per annum. The fixed deposits are pledged to a financial institution to secure performance guarantees issued by that financial institution.

Cash and bank balances earn interest at floating rates based on daily bank deposit rates from 0% to 0.05% (2009: 0% to 0.05%) per annum.

Notes to Statement of Cash Flows (cont'd)

(ii) Overall, our cash and cash equivalents increased by approximately $3.0 million and $1.8 million from a quarter and a year ago respectively.

The reduction in the Group's **net cash from operating activities** in the 4th quarter of 2010 and for financial year ended 31 December 2010 was mainly due to a lower operating profit registered in current financial year as compared to FY 2009 and that the profit generated has yet to be fully realised into cash as our trade receivables balances have increased in accordance with the higher credit sales generated in the last quarter of FY 2010. In addition, our Guangzhou factory has redeployed more funds into raw materials purchases to fulfill new production orders due for delivery in the coming quarter.

Net cash from investing activities was mainly related to sales proceeds from the disposal of two plots of land in our Malaysia farm. The amount was partially offset by the capital expenditure incurred for on-going enhancement to the infrastructure and farm facilities in Singapore and overseas.

During the current financial year, there were cash proceeds received from the issuance of new shares arising from exercise of warrants which were utilised for the repayment of bank loans, final dividends payment made 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 2010, resulted in the **net cash used in financing activities**.

QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

1(d) STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company					
Group	**Share capital** $	**Accumulated profits** $	**Currency translation reserve** $	**Total** $	**Non-controlling interests** $	**Total Equity** $
Balance at 1 Jan 2009	29,411,915	25,338,447	(1,159,199)	53,591,163	9,143,011	62,734,174
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Issue of new shares	243.007	-	-	243.007	-	243.007
Payment of first and final dividend	-	(840,346)	-	(840,346)	-	(840,346)
Payment of dividend to non-controlling shareholder of a subsidiary shareholder of a subsidiary	-	-	-	-	(102,000)	(102,000)
Total transactions with owners of the Company	243,007	(840,346)	-	(597,339)	(102,000)	(699,339)
Total comprehensive income for the year						
Profit for the year	-	6.544.291	-	6.544.291	1.101.276	7.645.567
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(311,874)	(311,874)	(148,382)	(460,256)
Total other comprehensive income	-	-	(311,874)	(311,874)	(148,382)	(460,256)
Total comprehensive income for the year	-	6,544,291	(311,874)	6,232,417	952,894	7,185,311
Balance at 31 Dec 2009	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						
Contributions by and distributions to owners of the Company						
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
Other comprehensive income						
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

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

Company	**Share capital** $	**Accumulated profits** $	**Total** $
Balance at 1 Jan 2009	29,411,915	13,427,936	42,839,851
Transactions with owners of the Company, recognised directly in equity			
Contributions by and distributions to owners of the Company			
Issue of new shares	243,007	-	243,007
Payment of first and final dividend	-	(840,346)	(840,346)
Total transactions with owners of the Company	243,007	(840,346)	(597,339)
Total comprehensive income for the year			
Profit for the year	-	3,575,590	3,575,590
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	3,575,590	3,575,590
Balance at 31 Dec 2009	29,654,922	16,163,180	45,818,102
Transactions with owners of the Company, recognised directly in equity			
Contributions by and distributions to owners of the Company			
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	1,117,866	(2,241,701)	(1,123,835)
Total comprehensive income for the year			
Profit for the year	-	3,296,162	3,296,162
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	3,296,162	3,296,162
Balance at 31 Dec 2010	30,772,788	17,217,641	47,990,429

2 **AUDIT**

The full year financial statements have been audited by the Company's auditors.

3 **AUDITORS' REPORT**

See attached auditors' report.

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 2009.

5 **CHANGES IN ACCOUNTING POLICIES**

During the current financial year, the Group and the Company have adopted the following new and revised FRSs which took effect from financial year beginning 1 January 2010.

- FRS 103 *Business Combinations (2009)*
- FRS 27 *Consolidated and Separate Financial Statements (2009)*

These changes in accounting policies are 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 ended 31 December 2010.

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

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2010	2009	2010	2009
EPS (based on consolidated net profit attributable to equity holders)				
- on weighted average number of ordinary shares on issue (cents)	0.13	0.43	0.94	1.56
- on a fully diluted basis (cents)	0.12	0.41	0.93	1.48

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the financial year of 446,605,983 (2009: 420,176,378).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the financial year adjusted to assume conversion of all potential dilutive ordinary shares of 452,549,052 (2009: 443,353,155).

7 **NET ASSET VALUE PER SHARE**

	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Net asset value per share based on existing issued share capital as at the respective dates (cents)	16.08	16.40	10.57	10.85

Net asset value per share is computed based on the number of shares in issue as at 31 December 2010 of 454,106,350 (2009: 422,167,317).

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

Financial year 2010 vs financial year 2009

	Group		Increase	
	Financial year ended 31 Dec		(Decrease)	
	2010	2009		
	$'000	$'000	$'000	%
Fish	45,175	46,993	(1,818)	(3.9)
Accessories	34,433	37,029	(2,596)	(7.0)
Plastics	11,555	10,589	966	9.1
	91,163	94,611	(3,448)	(3.6)

For the year ended 31 December 2010, our ornamental fish and accessories activities continued to be our core activities, which together accounted for approximately 87% of our total revenue. Our revenue decreased by $3.4 million or 3.6% from approximately $94.6 million for the year ended 31 December 2009 to $91.2 million for the year ended 31 December 2010.

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

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

Financial year 2010 vs financial year 2009 (cont'd)

On a geographical basis, revenue from Singapore grew by 7.9% while overseas dipped by 8.3% in the FY 2010 as compared FY 2009.
(Please refer to commentary below on the reduction in overseas revenue)

4Q 2010 vs 4Q 2009

	Group		Increase (Decrease)	
	4Q 2010 $'000	4Q 2009 $'000	$'000	%
Fish	10,153	11,131	(978)	(8.8)
Accessories	9,138	9,866	(728)	(7.4)
Plastics	2,948	2,870	78	2.7
	22,239	23,867	(1,628)	(6.8)

Our total revenue decreased by approximately $1.6 million or 6.8% from $23.8 million in the 4th quarter of 2009 to $22.2 million in the 4th quarter of 2010.

Fish
The reduction of our ornamental fish revenue by approximately $1.0 million or 8.8% in the 4th quarter of 2010 as compared to its corresponding period in 2009 was mainly due to the following:-

- Although the supply of self-bred Dragon Fish from our Malaysia farm resumed in the 2nd quarter of 2010, after the production was affected by the unprecedented severe hot weather during the 1st quarter of 2010 till early April, the quantity of these self-bred Dragon Fish available for sales in the current quarter were lower than that of the corresponding period in 2009 when there was a constant supply of self-bred Dragon Fish throughout the year. Nevertheless, we managed to record healthy sales from self-bred Dragon Fish, notwithstanding the revenue registered from these sales was lower than its corresponding period in 2009.
- Widespread airport closures and flight cancellations over European and North American air space in the month of December as a result of the heavy snowfall has affected our ornamental fish shipments to various European countries during this period. This has a negative impact on the revenue of the ornamental fish as more than 20% of the Group's revenue is from European countries.
- Continuous weakening purchasing sentiments from the challenging European markets in anticipation of the curb in the government's budget spending have resulted in a reduction in demand for ornamental fish in that region.

Accessories
As highlighted in our previous announcements, our accessories export business has managed to leverage on the Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. However, the reduction in revenue contribution from our Guangzhou factory due to the reduction in production orders received from our OEM customers has resulted in a decline in our accessories revenue by approximately $0.7 million or 7.4% in the 4th quarter of 2010 as compared to its corresponding period in 2009. Our OEM customers with business dealings mainly in the European markets were affected by the region's sluggish economic conditions.

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

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

4Q 2010 vs 4Q 2009 (cont'd)

With the cutback in OEM orders, we have since utilised the surplus factory capacity in Guangzhou to produce a range of newly developed revolutionary filtration system which employed the "Hydro-Pure" technology that is able to improve water quality by as much as 50%. Our accessories revenue has improved accordingly with the gradual roll out of this range of propriety brand products with effect from the 4th quarter of 2010. Our factory will also increase its production for sales to the China domestic market in the coming years 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 2009 as we managed to focus on generating revenue through enlarging the customer base and selling more varieties of plastic products.

4Q 2010 vs 3Q 2010

	Group		Increase (Decrease)	
	4Q 2010	3Q 2010		
	$'000	$'000	$'000	%
Fish	10,153	11,341	(1,188)	(10.5)
Accessories	9,138	8,647	491	5.7
Plastics	2,948	2,965	(17)	(0.6)
	22,239	22,953	(714)	(3.1)

Our revenue decreased by $0.7 million or 3.1% from $22.9 million in the 3rd quarter of 2010 to $22.2 million in the 4th quarter of 2010 mainly due to the significant reduction in ornamental fish revenue registered during the current quarter as compared to the previous quarter.

Fish
Traditionally, the export sales of ornamental fish in the 4th quarter of each year should be higher than the 3rd quarter. However, during the 4th quarter of 2010, our ornamental fish revenue took a plunge of $1.2 million or 10.5% as compared to the previous quarter as its export sales suffered a temporary blip due to the closure of the European and North American airspace and flights disruption as a result of the heavy snowfall which has affected our ornamental fish shipments to various European countries coupled with the low business activities resulted from the continuous weakening purchasing sentiments from the challenging European markets as mentioned earlier.

Accessories
Revenue from our accessories activities continued its growth momentum into the 4th quarter of 2010. The increase in accessories revenue on a quarter-on-quarter basis was mainly as a result of better revenue contributions from our export sales. In addition, as mentioned earlier, although our accessories revenue was affected by the reduction in production orders received from our OEM customers from our Guangzhou factory since the 3rd quarter of 2010, we managed to utilise the surplus factory capacity in Guangzhou to produce a range of newly developed revolutionary filtration system which has a positive contribution to our accessories revenue in the current quarter.

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

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

(b) **Profitability**

Financial year 2010 vs financial year 2009

	Group		Increase	
	Financial year ended 31 Dec		(Decrease)	
	2010	2009		
	$'000	$'000	$'000	%
Fish	3,747	8,103	(4,356)	(53.8)
Accessories	2,790	2,631	159	6.0
Plastics	1,104	1,145	(41)	(3.6)
Unallocated corporate expenses	(2,342)	(2,439)	97	4.0
	5,299	9,440	(4,141)	(43.9)

Our operating profit before taxation decreased by approximately $4.1 million or 43.9% from approximately $9.4 million in FY 2009 to $5.3 million in FY 2010. Profit after taxation attributable to equity holders decreased by 35.7% from $6.5 million in FY 2009 to approximately $4.2 million in FY 2010. Despite a significant reduction in operating profit year-on-year, our ornamental fish business remained the main profit contributor in the current financial year.

4Q 2010 vs 4Q 2009

	Group		Increase	
	4Q	4Q	(Decrease)	
	2010	2009		
	$'000	$'000	$'000	%
Fish	284	2,260	(1,976)	(87.4)
Accessories	710	663	47	7.1
Plastics	315	277	38	13.7
Unallocated corporate expenses	(586)	(630)	44	7.0
	723	2,570	(1,847)	(71.9)

In line with the reduction in revenue from our business activities in the 4th quarter of 2010, our operating profit decreased by $1.8 million or 71.9% as compared to its corresponding period in 2009.

Fish
The significant dip in our operating profit from ornamental fish by approximately $2.0 million or 87.4% from $2.3 million to approximately $0.3 million in the 4th quarter of 2010 as compared to its corresponding period in 2009 was mainly due to the following factors:-

- As revenue contribution from the export of ornamental fish was affected by the closure of the European and North American airspace due to the heavy snowfall and the low business activities resulted from the continuous weakening purchasing sentiments from the European markets as mentioned earlier, the operating profit from our ornamental fish business reduced accordingly.
- Although the supply of the self-bred Dragon Fish resumed in the 2nd quarter of 2010 after the production was affected by the unstable weather condition, as compared to the corresponding period in 2009, the quantity of these self-bred Dragon Fish available for sales is lower than when there was a constant supply of self-bred Dragon Fish throughout the year. The reduction in the supply of self-bred Dragon Fish has affected the profitability of the Dragon Fish sales since the 2nd quarter of 2010 as sales of our self-bred Dragon Fish yielded better margin as compared to the sales of Dragon Fish sourced from third parties.

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

(b) **Profitability**

4Q 2010 vs 4Q 2009 (cont'd)

- The slow down in Dragon Fish production in the current financial year has also resulted in a lower quantity of breeder stocks (off-springs of existing brooder stocks) held as at year end. Accordingly, the valuation of our breeder stocks as at 31 December 2010 was approximately $0.2 million lower than that of the previous year which has a negative impact on the profitability of the ornamental fish business in the current quarter.
- There was allowance made for doubtful trade receivables of $182K in the 4th quarter of 2010 as compared to $60K in the corresponding period in 2009.

Accessories
Notwithstanding a reduction in revenue recorded in 4th quarter of 2010 as compared to the corresponding period in 2009, our operating profit from accessories business increased marginally due to better profit margin contributions from the export of accessories.

Plastics
The increase in operating profit from our plastics activities was in accordance with the steady increase in revenue contributions and the better profit margins yielded.

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 in the current quarter and throughout the financial year 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.

4Q 2010 vs 3Q 2010

	Group		Increase (Decrease)	
	4Q 2010 $'000	3Q 2010 $'000	$'000	%
Fish	284	1,006	(722)	(71.8)
Accessories	710	922	(212)	(23.0)
Plastics	315	306	9	2.9
Unallocated corporate expenses	(586)	(668)	82	12.3
	723	1,566	(843)	(53.8)

Fish
The operating profit from our ornamental fish activities decreased by approximately $0.7 million or 71.8% in the current quarter as compared to the previous quarter mainly as a result of the difference in sales mix coupled with the drop in revenue contributions from our export business due to reasons as mentioned earlier.

In addition, a lower quantity of breeder stocks (off-springs of existing brooder stocks) held as at year end has resulted in a reduction in the valuation of our breeder stocks as at 31 December 2010 by approximately $0.2 million which has a negative impact on the profitability of the ornamental fish business in the current quarter.

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

(b) **Profitability**

4Q 2010 vs 3Q 2010 (cont'd)

Accessories
Compared to the previous quarter in 2010, the increase in revenue contributions in the current quarter was substantially from our Guangzhou factory. As these manufactured products yielded lower profit margins, operating profit from our accessories business was $0.2 million or 23.0% lower than the 3rd quarter of 2010, notwithstanding the better profit margin contribution from our export of accessories.

Plastics
Despite the marginal reduction in revenue contribution in the current quarter as compared to the previous quarter, the operating profit from our plastics activities remained relatively stable as we were able to contain operating costs to enhance profitability.

9 **VARIANCE FROM PROSPECT STATEMENT**

We have previously announced in our Third Quarter Financial Statements Announcement dated 18 October 2010 that "*the Group will remain profitable in the 4th quarter of 2010 and that the 2nd half of the current financial year will be better than the 1st half*". Due to the various reasons as mentioned in "Review of Group Performance" as set out on pages 18 to 23, our Group has remained profitable in the 4th quarter of 2010; however, our 2nd half performance is not comparable to that of the 1st half of 2010.

10 **PROSPECTS**

PROSPECTS FOR FY 2011

In FY 2011, 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 more than 5% of the world market share. As Singapore, Malaysia, Thailand and Indonesia supply in total close to 60% of the world's ornamental fish, with the setting up of a new ornamental fish export operation in Indonesia by the 1st half of 2011, we would have completed our supply bases of ornamental fish in the region and we are confident of increasing the number of countries we currently export to from these export hubs. While we increase our efforts on expanding our export distribution network 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 of aquarium and pet accessories has seen a healthy momentum of growth and its footprint will continue to expand. Currently, we export our accessories products to approximately 40 countries around the world. It is our intention to grow our export of aquarium and pet accessories to as many countries as our ornamental fish export. 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.

10 **PROSPECTS (cont'd)**

Sustained growth in our breeding and sales of Dragon Fish

Year 2010 was a disappointing year for our Dragon Fish production due to the unprecedented severe hot weather and the unstable weather condition persisted during the 1st half of the year. However, we believe that the demand for Dragon Fish will continue to grow in FY 2011 with new markets such as India, Vietnam and even some European countries showing greater interest in Dragon Fish. Accordingly, with the resumption and stabilisation of our production of Dragon Fish in the coming year, we will be able to record healthy sales. In addition, the high quality selectively bred dragon fish, resulted from our R&D effort, will enable us to conquer a premium portion of the market which will increase our profit margin generated from the sales of these Dragon Fish.

Increase in our profitability and cash flow generation

Our Group's current business model is now more robust and diversified after the completion of the restructuring exercise in FY 2006. As we are operating in the niche lifestyle and service industry, we believe that we can achieve a respectable profit margin by leveraging on our propriety brands, strong R&D efforts and an efficient supply chain management. Going forward, our focus is also on generating stronger cash flow from operating activities, and our internal target is that at least half of the Group's profitability should be realised into cash.

Expansion of our regional 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 231 locations (after consolidating our customer base) to approximately 280 locations by end Year 2011. Our newly set up joint venture in India will also enable us to expedite our penetration into the India market.

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 in the coming year. Barring any unforeseen circumstances, we envisage that the Group will continue to be profitable in the Year 2011, despite possible fluctuations in our operating profit from quarter to quarter.

OUR LONG-TERM PROSPECTS

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 more than 5% of the world's market share in terms of ornamental fish export. Our long-term goal is to gradually increase 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 and new distribution hubs and exporting more Dragon Fish to China, India and Vietnam.

Upon the incorporation of a new Indonesia subsidiary in FY 2011, we are looking out for investment opportunities in Vietnam where we intend to set up a subsidiary within the next three years. Through these new opportunities and strategic investments, we believe that there will be a positive contribution to our ornamental fish revenue moving forward.

10 **PROSPECTS (cont'd)**

While putting in effort in exploring more overseas markets, we will also leverage on our research & development capability to improve our ornamental fish packaging technology and quarantine skills to further differentiate ourselves from the other industry players. We are exploring the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species. This will enable us to mitigate and to manage risks related to negative weather conditions that will affect fish farming so as to ensure the consistency in the supply of these fish species.

To improve revenue contribution from pet accessories

In FY 2010, the percentage of our ornamental fish and aquarium and pet accessories revenue was approximately 50% 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 propriety brands, namely "BARK" and 'Nature Gift" for dog accessories products, "Aristo-cats YI HU" for cat accessories products and "Delikate" for small animals.

To have the widest distribution network in China and India

China

With more than 230 distribution points across China distributing our Dragon Fish and aquarium accessories as at 31 December 2010, we are on track to achieving our target of more than 400 locations in the next few years by increasing our marketing efforts and leveraging on our premium brand status. We expect that as China becomes more prosperous, we will need to move beyond the 1st-tier cities into the 2^{nd}, 3^{rd} or 4^{th} tiers cities in order to open up more distribution points. Distribution points are managed by our appointed agents in the respective cities or with our strategic partners in China.

India

Our 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 strengthen our commitment and continue our investment in research & development ("R&D")

We have formed a R&D team in the Singapore HQ in the 1^{st} 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.

Other than the R&D work in Dragon Fish breeding, our R&D team has engaged in the following three major research directions:-

10 **PROSPECTS (cont'd)**

(i) Provide fish disease diagnosis and cure in order to improve and upgrade the quality of our export of ornamental fish. This is also in connection with the research work we carry out in developing new fish medications and conditioners for our accessories business.

(ii) Develop a new range and design of new generation aquarium accessories, ranging from filtration systems to sterilization unit for aquariums with the Hydro-Pure technology which we anticipate to revolutionalise the ornamental fish industry.

(iii) Explore new form of ornamental fish farming technology to meet the changing demand in the ornamental fish market which include the incorporation of novel, efficient and rapid system in place to produce high quality and disease-free fish.

To be a debt-free and high dividend payout company

We do not expect to incur substantial amounts of capital expenditure or investments in the foreseeable future. Even if the investment opportunities in Indonesia and Vietnam mentioned earlier materialise in the subsequent years, the investment amounts should not be significant, which will be funded through cash generated from operating activities.

In view of the above, coupled with better cash management skill and the consistency in generating cash from operating activities with the stable profit from all the entities within the Group, we believe that Qian Hu will soon move towards becoming a debt-free company with high dividend payout.

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 **RISK FACTORS AND RISK MANAGEMENT**

Risk management forms an integral part of our business management. The Group's risk and control framework is designed to provide reasonable assurance that our business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures. It makes management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks. The risk management and control procedures are reviewed regularly to reflect changes in market conditions and the activities of the Group.

The following set out an overview of the key risks faced by Qian Hu, the nature and the extent of our exposure to these risks, and our approach to managing these risks.

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

Country risk

Our Group currently operates in six countries with assets and activities spreading across the Asia Pacific. Our subsidiaries and associates in these countries are exposed to changes in government regulations and unfavourable political developments, which may limit the realisation of business opportunities and investments in those countries. In addition, our business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets. Although these circumstances may be beyond our control, the Board and the management consistently keep themselves up-to-date on the changes in political, economic and industrial developments so as to be able to anticipate or respond to any adverse changes in market conditions in a timely manner.

As at 31 December 2010, approximately 66% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 68% of the total revenue in FY 2010. In view of our Group's expansion plan, the percentage of its overseas assets and activities will continue to increase moving forward. The effect of greater geographical diversification reduces the risk of concentration in a single operation.

Operational risk

Operational risk is the potential loss caused by a breakdown in internal process, deficiencies in people and management, or operational failure arising from external events. Our Group strives to minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as business continuity planning. In addition, we have been awarded ISO 9002 certification for our local businesses as well as our overseas subsidiaries. We have also achieved ISO 14001 certification for our environmental management system to preserve natural resources and minimise wastage.

Although Qian Hu has always been viewed as a family business largely run and controlled by the Yap family, it is in fact run by a team of dedicated Qian Hu family members and professional managers, not solely by the Yap family members. Although no individual is indispensible, the loss of specialised skills and the leadership of our Executive Chairman & Managing Director, Mr Kenny Yap, and the other founding members, including our key management, could result in business interruptions and a loss in shareholders' confidence. To dispel the worries, we have since put in place a structured succession planning program to identify and develop a team of talented employees based on their merit – family members are not given special preferences – who can take Qian Hu to the next lap of growth. We believe that training a team of next-generation leaders is critical to the continuity of the business which should last beyond our generation.

Product risk

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds at any one point in time is uncommon. We have institutionalised a comprehensive health management and quarantine system for all our domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for our fishes. Currently, all our domestic and overseas fish operations have attained ISO 9002 certification, including the breeding of Dragon Fish. There is no known disease that is fatal to the Dragon Fish because of its primitive and prehistoric origin.

Although our Dragon Fish sales contributed approximately 20% of our Group total revenue for the year ended 31 December 2010, we sell over 1,000 species and varieties of ornamental fish and more than 3,000 kinds of accessories products to more than 80 countries and are not solely reliant on the sale of any particular type or species of fish or accessories products. We are diversified in both our products and markets.

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

Additionally, we have formed a R&D team in FY 2009, focusing on research of Dragon Fish breeding behaviour, fish disease diagnosis and cure, product innovation on aquarium accessories, and new form of ornamental fish farming technology.

Investment risk

Our Group grows businesses through organic growth of our existing activities, development of new capabilities (e.g. setting up retail chain stores, product innovation) and through new ventures with business partners. Business proposals and investment activities are evaluated through performance of due diligence exercise and where necessary, supported by external professional advice. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.

Foreign exchange risk

The foreign exchange risk of our Group arises from sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily the United States dollar, Euro, Malaysian Ringgit and Chinese Renminbi.

Our Group does not have any formal hedging policy against foreign exchange fluctuations. However, we continuously monitor the exchange rates of major currencies and enter into hedging contracts with banks from time to time whenever the management detects any movements in the respective exchange rates which may impact our Group's profitability.

Foreign currencies received are kept in foreign currencies accounts and are converted to the respective measurement currencies of our Group's companies on a need-to basis so as to minimise foreign exchange exposure.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to our Group as and when they fall due. Credit risk is managed through the application of credit approvals, performing credit evaluations, setting credit limits and monitoring procedures.

None of our customer or supplier contributes more than 5% of our Group's revenue and purchases. It is our Group's policy to sell to a diverse group of creditworthy customers so as to reduce concentration of credit risk. Cash terms or advance payments are required for customers with lower credit standing.

While our Group faces the normal business risks associated with ageing collections, we have adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Accordingly, our Group does not expect to incur material credit losses.

Interest rate risk

Interest rate risk is managed by our Group on an on-going basis with the objective of limiting the extent to which our Group's results could be affected by an adverse movement in interest rate.

Our Group's cash balances are placed with reputable banks and financial institutions. For financing obtained through bank borrowings and finance lease arrangements, our Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

We are progressively improving our debt position and our aim to move towards becoming a debt-free company will also address this risk.

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

Liquidity risk

Our Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to ensure that we have sufficient funds to meet contractual and financial obligations as and when they fall due. Over the years, we have enhanced our ability to generate cash from operating activities; accordingly, we envisage that our cash position will continue to improve, hence reducing liquidity risk.

Derivative financial instrument risk

Our Group does not hold or issue derivative financial instruments for trading purposes.

12 **DIVIDEND**

(a) **Present period**

Name of dividend	First & final
Dividend type	Cash
Dividend rate	0.5 cents per ordinary share
Tax rate	One-tier tax exempt

(b) **Previous corresponding period**

Name of dividend	Interim	Final
Dividend type	Nil	Cash
Dividend rate	Nil	0.5 cents per ordinary share
Tax rate	Nil	One-tier tax exempt

(c) **Total annual dividend**

	Latest year ($'000)	Previous year ($'000)
Ordinary	2,271	2,242
Preference	-	-
Total:	2,271	2,242

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 11 March 2011, the dividends will be paid on 8 April 2011.

(e) **Books closure date**

Registrable Transfers received by the Company's Registrar, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5:00 pm on 25 March 2011 will be registered before entitlements to the proposed dividend are determined. The Register of Transfer and the Register of Members of the Company will be closed on 28 March 2011 for the preparation of dividend warrants.

13 RELATED PARTIES & INTERESTED PERSON TRANSACTIONS

During the financial year, there were related parties transactions based on terms agreed between the parties as follows:-

	Group		Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	$	$	$	$
Rental paid to a non-controlling shareholder of a subsidary	37,408	42,968	-	-
Fees paid to a firm of which a director is a member	-	3,000	-	3,000
Consultancy fees paid to a company in which a director has a substantial interest	8,300	38,800	8,300	38,800

Except for the above, there was no other interested person transactions, 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 financial year ended 31 December 2010.

14 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.

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

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

	Financial year ended 31 Dec 2010				
Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Others** $'000	**Total** $'000
Revenue					
External revenue	45,175	34,433	11,555	-	91,163
Inter-segment revenue	3,895	11,803	179	(15,877)	-
Total Revenue	49,070	46,236	11,734	(15,877)	91,163
Results					
EBITDA *	5,885	3,745	1,231	(2,208)	8,653
Depreciation and amortisation	(1,831)	(834)	(126)	-	(2,791)
Interest expense	(309)	(56)	(2)	(134)	(501)
Interest income	2	2	1	-	5
	3,747	2,857	1,104	(2,342)	5,366
Share of losses of associates	-	(67)	-	-	(67)
Profit before income tax	3,747	2,790	1,104	(2,342)	5,299
Income tax expense	(267)	(370)	(145)	-	(782)
Profit for the year	3,480	2,420	959	(2,342)	4,517
Net profit margin	**7.7%**	**7.0%**	**8.3%**		**5.0%**
Assets and Liabilities					
Segment assets	66,705	34,401	4,143	2,160	107,409
Investments in associates	-	1,103	-	-	1,103
Segment liabilities	17,729	4,070	2,109	10,471	34,379
Other Segment Information					
Expenditures for non-current assets **	511	866	135	-	1,512
Other non-cash items:					
Bad trade receivables					
- written off	-	8	-	-	8
- recovered	(1)	-	-	-	(1)
Gain on disposal of property, plant and equipment	39	(14)	(2)	-	23
Property, plant and equipment written off	10	-	1	-	11
Allowance for (Write back of)					
- doubtful trade receivables	556	65	-	-	621
- inventory obsolescence	-	(170)	-	-	(170)
Change in fair value less estimated point-of-sale costs	(235)	-	-	-	(235)

* *EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation.*
** *This includes capital expenditure and additions to other non-current assets.*

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

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

	Financial year ended 31 Dec 2009				
Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Others** $'000	**Total** $'000
Revenue					
External revenue	46,993	37,029	10,589	-	94,611
Inter-segment revenue	6,695	8,147	177	(15,019)	-
Total Revenue	53,688	45,176	10,766	(15,019)	94,611
Results					
EBITDA	10,232	3,488	1,281	(2,225)	12,776
Depreciation and amortisation	(1,705)	(794)	(135)	-	(2,634)
Interest expense	(428)	(45)	(1)	(214)	(688)
Interest income	4	2	-	-	6
	8,103	2,651	1,145	(2,439)	9,460
Share of losses of associates	-	(20)	-	-	(20)
Profit before income tax	8,103	2,631	1,145	(2,439)	9,440
Income tax expense	(1,217)	(416)	(162)	-	(1,795)
Profit for the year	6,886	2,215	983	(2,439)	7,645
Net profit margin	**14.7%**	**6.0%**	**9.3%**		**8.1%**
Assets and Liabilities					
Segment assets	65,526	32,097	3,748	2,396	103,767
Investments in associates	-	1,171	-	-	1,171
Segment liabilities	19,364	3,731	1,897	9,555	34,547
Other Segment Information					
Expenditures for non-current assets	6,655	2,056	17	-	8,728
Other non-cash items:					
Bad trade receivables recovered	(1)	-	-	-	(1)
Gain on disposal of property, plant and equipment	(5)	(23)	(5)	-	(33)
Property, plant and equipment written off	39	5	-	-	44
Allowance for					
- doubtful trade receivables	295	1	3	-	299
- inventory obsolescence	-	129	-	-	129
Change in fair value less estimated point-of-sale costs	106	-	-	-	106

(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.

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

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

Group	Revenue Financial year ended 31 Dec 2010 $'000	Revenue 2009 $'000	Non-current assets Financial year ended 31 Dec 2010 $'000	Non-current assets 2009 $'000	Total assets Financial year ended 31 Dec 2010 $'000	Total assets 2009 $'000
Singapore	29,236	27,102	9,497	10,175	36,337	33,670
Other Asian countries	37,662	36,210	37,170	38,794	70,294	69,186
Europe	13,596	20,912	778	768	778	911
Others	10,669	10,387	-	-	-	-
Total	91,163	94,611	47,445	49,737	107,409	103,767

15 **BREAKDOWN OF REVENUE**

Group	Fish $'000	Accessories $'000	Plastics $'000	Total $'000
4Q 2010				
Singapore (including domestic sales & sales to Singapore)	2,510	1,859	2,823	7,192
Overseas (including export to & sales in overseas)	7,643	7,279	125	15,047
Total revenue	10,153	9,138	2,948	22,239
4Q 2009				
Singapore	2,865	1,862	2,807	7,534
Overseas	8,266	8,004	63	16,333
Total revenue	11,131	9,866	2,870	23,867

Group	Fish $'000	Accessories $'000	Plastics $'000	Total $'000
Financial year ended 31 Dec 2010				
Singapore (including domestic sales & sales to Singapore)	10,684	7,318	11,234	29,236
Overseas (including export to & sales in overseas)	34,491	27,115	321	61,927
Total revenue	45,175	34,433	11,555	91,163
Financial year ended 31 Dec 2009				
Singapore	9,297	7,518	10,287	27,102
Overseas	37,696	29,511	302	67,509
Total revenue	46,993	37,029	10,589	94,611

16 **QUARTERLY ANALYSIS**

	2010	2009	Increase (Decrease)
	$'000	$'000	%
Revenue			
1st Quarter	23,237	23,152	0.4
2nd Quarter	22,734	23,718	(4.1)
3rd Quarter	22,953	23,874	(3.9)
4th Quarter	22,239	23,867	(6.8)
	91,163	94,611	(3.6)
Profit before income tax			
1st Quarter	1,793	2,085	(14.0)
2nd Quarter	1,217	2,552	(52.3)
3rd Quarter	1,566	2,233	(29.9)
4th Quarter	723	2,570	(71.9)
	5,299	9,440	(43.9)
Profit after income tax and minority interests			
1st Quarter	1,412	1,399	0.9
2nd Quarter	950	1,663	(42.9)
3rd Quarter	1,213	1,683	(27.9)
4th Quarter	634	1,799	(64.8)
	4,209	6,544	(35.7)

- **Revenue**

The reduction in the revenue during the financial year was due to:-

- Unprecedented severe hot weather from end January to February has resulted in a month-long drought in Malaysia and the unstable weather condition thereafter has led to a low supply of Dragon Fish fries during the 1st quarter of 2010 till early April.
- Widespread airport closures and flight cancellations over European air space from mid-April to early May as a result of the Icelandic volcanic ash and the heavy snowfall in the month of December has affected the ornamental fish shipments to various European countries during these periods.
- The FIFA World Cup football tournament held in June to July this year has affected the export of ornamental fish to many countries over the world as it has been the norm that consumers do not actively make ornamental fish related purchases during the duration of the tournament.
- Weakening purchasing sentiments from the challenging European markets in anticipation of the curb in the government's budget spending have resulted in a reduction in demand for ornamental fish in that region.
- Accessories business in Bangkok experienced temporary disruption as a result of the political riots from mid-March to mid-May.
- Reduction in revenue contribution from the Guangzhou factory due to the reduction in production orders received from its OEM customers with business dealings mainly in the European markets which were affected by the region's sluggish economic conditions.

16 **QUARTERLY ANALYSIS**

- **Profitability**

The financial year's profitability was affected by the following factors:-

- The reduction in the supply of self-bred Dragon Fish has affected the profitability of the Dragon Fish as sales of our self-bred Dragon Fish yielded better margin as compared to the sales of Dragon Fish sourced from third parties.
- As revenue contribution from the export of ornamental fish was affected by the closure of the Europe airspace, low business activities during the recent FIFA World Cup period, stronger SGD dollar and the weakening purchasing sentiments from the European markets, the operating profit from the ornamental fish business reduced accordingly.
- Lower export business from the Guangzhou factory to our OEM customers and the higher wage cost registered following the salary revision so as to comply with the China "minimum wage" policy has sliced off some profitability of the accessories business.
- More resources have to be deployed to fulfill the necessary requirements in order to comply with the newly implemented European Union (EU) regulations on the export and import of ornamental fish. The stricter regulations imposed has also affected the regular supply of ornamental fish from certain of the suppliers which led us to explore other "non-traditional" markets for alternative supply of ornamental fish at a higher cost.

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
12/01/2011

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

Members of the Company
Qian Hu Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the income statements and statements of comprehensive income and changes in equity of the Group and the Company, and the statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS52.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, income statement and statements of comprehensive income and changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
12 January 2011