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

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

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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 2011**

	Note	Group 3 months ended 31 Dec			Group Financial year ended 31 Dec		
		2011	2010	Change	2011	2010	Change
		$'000	$'000	%	$'000	$'000	%
Revenue		19,316	22,239	(13.1)	88,341	91,163	(3.1)
Cost of sales		(13,943)	(15,266)	(8.7)	(61,041)	(61,916)	(1.4)
Gross profit		5,373	6,973	(22.9)	27,300	29,247	(6.7)
Other income	i	1,008	(9)	NM	1,166	114	922.8
		6,381	6,964	(8.4)	28,466	29,361	(3.0)
Selling & distribution expenses	ii	(410)	(344)	19.2	(1,611)	(1,585)	1.6
General & administrative expenses	ii	(5,376)	(5,785)	(7.1)	(22,210)	(21,914)	1.4
Results from operating activities	iii	595	835	(28.7)	4,645	5,862	(20.8)
Financial income	v	6	2	200.0	13	5	160.0
Financial expenses	v	(105)	(113)	(7.1)	(410)	(501)	(18.2)
		496	724	(31.5)	4,248	5,366	(20.8)
Share of losses of associates	iv	(23)	(1)	NM	(97)	(67)	44.8
Profit before income tax		473	723	(34.6)	4,151	5,299	(21.7)
Income tax expense	vi	221	(16)	NM	(550)	(782)	(29.7)
Profit for the period/year		694	707	(1.8)	3,601	4,517	(20.3)
Attributable to:							
Equity holders of the Company		**886**	**634**	**39.7**	**3,466**	**4,209**	**(17.7)**
Non-controlling interests		(192)	73	(363.0)	135	308	(56.2)
Profit for the period/year		694	707	(1.8)	3,601	4,517	(20.3)
Gross profit margin		27.8%	31.4%		30.9%	32.1%	
Net profit margin		3.6%	3.2%		4.1%	5.0%	
Effective tax rate		(17.5%)	18.1%		16.0%	16.9%	
Return on equity		-	-		4.9%	6.2%	

NM: Not Meaningful

STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group			Group		
	3 months ended 31 Dec			Financial year ended 31 Dec		
	2011	2010	Change	2011	2010	Change
	$'000	$'000	%	$'000	$'000	%
Profit for the period/year	694	707	(1.8)	3,601	4,517	(20.3)
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	318	(475)	166.9	(537)	624	(186.1)
Other comprehensive income for the period/year, net of tax	318	(475)	166.9	(537)	624	(186.1)
Total comprehensive income for the period/year	1,012	232	336.2	3,064	5,141	(40.4)
Attributable to:						
Equity holders of the Company	**968**	**310**	**212.3**	**2,981**	**4,621**	**(35.5)**
Non-controlling interests	44	(78)	156.4	83	520	(84.0)
Total comprehensive income for the period/year	1,012	232	336.2	3,064	5,141	(40.4)

NM: Not Meaningful

Notes to Income Statement

(i) Other income

Other income comprises:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Gain (Loss) on disposal of				
- property, plant and equipment	28	(37)	63	(23)
- a subsidiary	952	-	952	-
Sundry income	28	28	151	137
	1,008	(9)	1,166	114

Gain on disposal of a subsidiary of approximately $1 million arises from the disposal of the Group’s entire equity interest in Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd (“GZQH”) in December 2011 (please refer to SGXNET announcement No. 00099 released on 23 December 2011 for further details).

(ii) Selling & distribution expenses
General & administration expenses

The increase in total operating expenses by approximately $0.3 million for the year ended 31 December 2011 as compared to the previous financial year was mainly due to higher personnel expenses incurred as a result of annual salary revision and the increase in overall headcount of the Group. This was in line with the growth in the Group’s operations.

With the disposal of GZQH in the 4th quarter of 2011, the Group’s operating expenses decreased accordingly in the current quarter as compared to the corresponding period in 2010.

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Auditors' remuneration				
- auditors of the Company	16	23	80	77
- other auditors	12	11	32	29
Non-audit fees				
- other auditors	9	15	23	24
Directors' fees				
- directors of the Company	25	15	75	75
Directors' remuneration				
- directors of the Company	409	257	1,202	1,024
- directors of subsidiaries	150	141	597	567
Bad trade receivables				
- written off	4	5	5	8
- recovered	-	-	(5)	(1)
Depreciation of				
- property, plant and equipment	530	514	2,180	2,128
- brooder stocks	193	158	647	663
Property, plant and equipment written off	3	-	7	11
(Gain) Loss on disposal of				
- property, plant and equipment	(28)	37	(63)	23
- a subsidiary	(952)	-	(952)	-
Allowance for (Write back of)				
- doubtful trade receivables	105	182	429	621
- inventory obsolescence	-	(122)	115	(170)
Operating lease expenses	269	304	1,169	1,142
Personnel expenses *	3,101	3,381	12,811	12,471
Exchange (gain) loss, net	(128)	20	(547)	(496)
Change in fair value less estimated point-of-sale costs	108	(235)	108	(235)

* Include directors' remuneration.

(iv) Share of losses of associates

With tepid demand caused by the slowdown of the European economy, our associate in the UK registered losses due to a lower than expected revenue and profit margins attained during the current quarter and financial year. Nonetheless, with conscientious cost savings measures put in place to reduce overheads in the coming quarters, coupled with a stabilised marketing network, its profitability should improve accordingly.

Notes to Income Statement (cont'd)

(v) **Financial income**
Financial expenses

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Interest expense				
- bank loans and overdrafts	49	58	213	279
- bills payable	48	47	164	187
- finance lease liabilities	8	8	33	35
	105	113	410	501
Interest income				
- bank deposits	(6)	(2)	(13)	(5)
Net financial expenses	99	111	397	496

The reduction in interest expenses by 7.1% and 18.2% in the 4^{th} quarter of 2011 and FY 2011 respectively as compared to its corresponding periods in 2010 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	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Current tax				
- current year	(17)	296	730	1,062
- over provision in respect of prior years	(167)	(483)	(143)	(473)
Deferred tax				
- temporary differences	(66)	(165)	(66)	(165)
- under provision in respect of prior years	29	368	29	358
	(221)	16	550	782

The effective tax rate of 16.0% in the current financial year is marginally lower than the amount obtained by applying the statutory tax rate of 17% on profit before income tax. Despite higher statutory tax rates prevailing in other countries in which the Group operates, it managed to derive tax savings as a result of certain expenditure incurred by the Singapore entities qualifying for enhanced tax deduction under the Productivity and Innovation Credit (PIC) scheme.

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

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

	Note	Group		Company	
		31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
		$	$	$	$
Equity attributable to equity holders of the Company					
Share capital	i	30,772,788	30,772,788	30,772,788	30,772,788
Reserves		32,660,659	31,950,533	16,355,718	17,217,641
		63,433,447	**62,723,321**	**47,128,506**	**47,990,429**
Non-Controlling Interests		10,190,157	10,306,875	-	-
Total Equity		**73,623,604**	**73,030,196**	**47,128,506**	**47,990,429**
Non-Current Assets					
Property, plant and equipment		13,046,754	13,783,353	5,604,163	5,872,096
Brooder stocks	ii	28,918,645	30,249,743	2,981,922	3,050,422
Investments in subsidiaries	iii	-	-	10,601,547	12,012,586
Investments in associates	iv	1,006,594	1,103,239	1,215,200	1,215,200
Intangible assets	v	2,257,804	2,308,668	343,048	343,048
Current Assets					
Inventories	vi	19,585,776	24,083,701	6,884,221	6,801,252
Breeder stocks	vii	992,534	1,283,395	400,390	426,195
Trade receivables	viii	27,149,218	19,181,907	20,127,366	8,914,446
Other receivables, deposits and prepayments	ix	4,320,301	2,295,924	2,976,577	668,271
Due from					
- subsidiaries (trade)		-	-	9,590,533	18,417,476
- subsidiaries (non-trade)		-	-	2,481,395	3,739,571
- associates (trade)	x	61,464	1,428,151	61,464	15,208
Fixed deposits		24,560	24,560	24,560	24,560
Cash and bank balances		8,580,991	11,665,987	4,048,857	6,078,746
		60,714,844	59,963,625	46,595,363	45,085,725
Current Liabilities					
Trade payables		6,711,318	8,445,380	3,206,395	3,262,353
Bills payable to banks (unsecured)	xi	4,226,403	4,362,995	741,204	572,412
Other payables and accruals	xii	4,876,513	4,491,483	3,557,002	3,117,915
Due to					
- subsidiaries (trade)		-	-	45,720	63,004
- subsidiaries (non-trade)		-	-	1,130,000	1,230,000
Finance lease liabilities	xiii	176,768	177,886	71,789	57,578
Bank term loans	xiv	11,277,363	11,480,104	10,500,000	10,300,000
Current tax payable		554,747	718,673	268,800	314,165
		27,823,112	29,676,521	19,520,910	18,917,427
Net Current Assets		32,891,732	30,287,104	27,074,453	26,168,298
Non-Current Liabilities					
Finance lease liabilities	xiii	(297,712)	(372,818)	(135,232)	(114,626)
Deferred tax liabilities		(4,200,213)	(4,329,093)	(556,595)	(556,595)
Net Assets		**73,623,604**	**73,030,196**	**47,128,506**	**47,990,429**

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

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Inventory turnover (days) *	137	141	77	75
Trade receivables turnover (days) *	96	75	110	63
Debt equity ratio	0.44	0.47	0.43	0.41

* With the reclassification of the Group's trade balances with a former subsidiary, GZQH, to trade receivables following its disposal during the financial year, it has resulted in a significant surge in trade receivables turnover days as at 31 December 2011. Should the amount due to GZQH be excluded from the trade receivables balance as at 31 December 2011, the trade receivables turnover days would have been 73 days and 68 days for the Group and for the Company respectively.

On the other hand, the Group's inventory balance and its inventory turnover days have reduced upon the disposal of GZQH.

Notes to Statements of Financial Position

(i) **Share capital**

	Number of shares	$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2011 and 31 Dec 2011	454,106,350	30,772,788

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

There were no outstanding convertibles as at 31 December 2011 (2010: Nil).

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

(ii) **Brooder stocks**

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	$	$	$	$
Cost				
Balance as at 1 Jan	33,150,507	32,512,011	3,425,000	3,425,000
Additions during the year	338,966	-	-	-
Disposals during the year	(338,966)	-	-	-
Translation differences	(780,384)	638,496	-	-
Balance as at 31 Dec	32,370,123	33,150,507	3,425,000	3,425,000
Accumulated depreciation and impairment losses				
Balance as at 1 Jan	2,900,764	2,196,262	374,578	306,078
Depreciation charge for the year	647,402	663,010	68,500	68,500
Disposals during the year	(30,368)	-	-	-
Translation differences	(66,320)	41,492	-	-
Balance as at 31 Dec	3,451,478	2,900,764	443,078	374,578
Net carrying value				
Balance as at 31 Dec	28,918,645	30,249,743	2,981,922	3,050,422

Notes to Statements of Financial Position (cont'd)

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

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 of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	%	%	$	$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	171,951	171,951
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Kim Kang Aquaculture Sdn Bhd (Malaysia)	65	65	8,538,391	8,538,391
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd # (People's Republic of China)	-	100	-	1,686,039
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	1,086,516	1,086,516
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited and its subsidiary: (Thailand)	60	60	121,554	121,554
- Advance Aquatic Co., Ltd. (Thailand)	60	60	-	-
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
P.T. Qian Hu Joe Aquatic Indonesia ^ (Indonesia)	55	-	275,000	-
			10,601,547	12,012,586

* The Company has voting control at general meetings & Board meetings of NNTL (Thailand) Limited.
# The Company disposed of the subsidiary in December 2011.
^ The Company injected US$192,500, which represents 50% of its equity interest in P.T. Qian Hu Joe Aquatic Indonesia, in the 4th quarter of 2011.

Notes to Statements of Financial Position (cont'd)

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

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 Listing Manual), namely Kim Kang Aquaculture Sdn Bhd.

(iv) **Investments in associates**

The details of associates are as follows:

	Group		Company	
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2011**	**31 Dec 2010**
	$	$	$	$
Unquoted equity investments				
- Arcadia Products PLC	812,600	812,600	812,600	812,600
- Qian Hu Aquasstar (India) Private Limited	402,600	402,600	402,600	402,600
	1,215,200	1,215,200	1,215,200	1,215,200
Share of post-acquisition losses	(208,606)	(111,961)	-	-
	1,006,594	1,103,239	1,215,200	1,215,200

Name of associate	**Principal activities**	**Effective equity held by the Group**	
		31 Dec 2011	**31 Dec 2010**
		%	%
Arcadia Products PLC (United Kingdom)	Manufacture and distribution of aquarium lamps	20	20
Qian Hu Aquasstar (India) Private Limited (India)	Manufacture of fish food and aquarium accessories	50	50

(v) **Intangible assets**

	Group		Company	
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2011**	**31 Dec 2010**
	$	$	$	$
Trademarks/customer acquisition costs	937,970	938,414	921,497	921,497
Product listing fees	196,153	196,153	196,153	196,153
Goodwill on consolidation	1,914,756	1,965,620	-	-
	3,048,879	3,100,187	1,117,650	1,117,650
Less accumulated amortisation	(791,075)	(791,519)	(774,602)	(774,602)
	2,257,804	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. Such costs were determined to have indefinite lives and are tested for impairment annually.

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

Notes to Statements of Financial Position (cont'd)

(v) **Intangible assets (cont'd)**

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of subsidiaries acquired. The goodwill balance is subject to annual impairment testing.

(vi) **Inventories**

	Group		Company	
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2011**	**31 Dec 2010**
	$	$	$	$
Fish	7,544,168	5,869,770	2,336,394	2,232,362
Accessories	11,711,813	17,667,733	4,922,827	4,828,890
Plastics products - raw materials	258,032	387,369	-	-
Plastics products - finished goods	540,553	512,619	-	-
	20,054,566	24,437,491	7,259,221	7,061,252
Less allowance for inventory obsolescence	(468,790)	(353,790)	(375,000)	(260,000)
	19,585,776	24,083,701	6,884,221	6,801,252

The higher fish inventory held as at 31 December 2011 was mainly due to additional purchases of Dragon Fish made in anticipation of its increasing demand. This is also to ensure that there is a consistent supply of Dragon Fish in the following quarters.

The above increase was offset by the reduction in accessories inventory mainly due to the disposal of GZQH in December 2011. In the previous year, raw materials were purchased and stepped up in the 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 current financial year. Accordingly, the Group's trade payables as at 31 December 2011 has decreased following the disposal of GZQH, in addition to the prompt settlement in order to secure better trade terms.

(vii) **Breeder stocks**

	Group		Company	
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2011**	**31 Dec 2010**
	$	$	$	$
As at 1 January	1,283,395	1,505,620	426,195	420,250
Change in fair value less estimated point-of-sale costs	(107,597)	234,888	(121,945)	70,995
Decreases due to sales	(3,692,904)	(3,160,065)	(939,280)	(1,202,445)
Net increase due to births	3,509,640	2,702,952	1,035,420	1,137,395
As at 31 December	992,534	1,283,395	400,390	426,195

Breeder stocks are off-springs of the brooder stocks, held for trading purposes. As at the reporting date, these stocks are measured based on their fair value, which is determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier. The decrease in breeder stocks balance as at 31 December 2011 was mainly due to difference in quantity, valuation and product mix in relation to the breeder stocks held as at both reporting dates.

Notes to Statements of Financial Position (cont'd)

(viii) Trade receivables

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	$	$	$	$
Trade receivables	28,810,854	21,385,406	21,755,089	10,889,881
Less allowance for doubtful trade receivables	(1,661,636)	(2,203,499)	(1,627,723)	(1,975,435)
	27,149,218	19,181,907	20,127,366	8,914,446

The increase in trade receivables as at 31 December 2011 was mainly due to the reclassification of the Group's trade balances with a former subsidiary, GZQH, of approximately $11.2 million following its disposal in December 2011. The management is of the view that the amount due from GZQH is not impaired as GZQH will be able to repay the outstanding amount from its operating cash flows. The recoverability of the amount due from GZQH as at 31 December 2011 is guaranteed by a major shareholder of the Company.

Should the amount due to GZQH be excluded from the Group's trade receivables balance as at 31 December 2011, the trade receivables turnover days would 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 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	$	$	$	$
Other receivables	248,913	334,359	193,476	128,730
Deposits	352,836	349,101	75,940	60,230
Prepayments	594,198	596,424	205,789	174,835
Advances to suppliers	2,362,974	254,479	2,210,338	251,930
Deposits for purchase of property, plant and equipment	325,727	80,518	291,034	52,546
Tax recoverable	435,653	681,043	-	-
	4,320,301	2,295,924	2,976,577	668,271

The higher amount of other receivables, deposits and prepayments balances as at 31 December 2011 was mainly due to:-

- increase in deposits placed for the purchase of equipment in relation to the on-going infrastructure construction work undertaken by our overseas entities. These amounts will be capitalised as plant, property and equipment upon the completion of the construction work.
- increase in advance payment made to suppliers for purchases which are due for delivery in the coming quarters. The increase includes an amount of approximately $1.5 million advance payment to GZQH, a former subsidiary, for future production orders. The recoverability of the advance payment to GZQH as at 31 December 2011 is guaranteed by a major shareholder of the Company.

(x) Due from associates

The amounts due from associates as at 31 December 2010 were mainly trade balances with GZQH. The reduction as at 31 December 2011 was as a result of the disposal of GZQH in December 2011.

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Notes to Statements of Financial Position (cont'd)

(xi) **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 2011 are 4.54% (2010: 4.41%) and 5.25% (2010: 5.25%) respectively. These bills mature within one to four months from the reporting date.

(xii) **Other payables and accruals**

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	$	$	$	$
Accrued operating expenses	359,595	254,596	184,968	154,504
Accrued staff costs	1,852,908	1,577,273	1,474,390	1,163,831
Other payables	1,871,113	1,992,147	1,610,530	1,706,259
Advance received from customers	792,897	667,467	287,114	93,321
	4,876,513	4,491,483	3,557,002	3,117,915

The increase in other payables and accruals as at 31 December 2011 was mainly due to higher provision made for bonus payment in the current financial year, which is in line with increase in overall headcount of the Group in FY 2011.

(xiii) **Finance lease liabilities**

Group

	Payments	Interest	Principal
31 Dec 2011	$	$	$
Payable:			
After 1 year but within 5 years	329,691	(31,979)	297,712
Within 1 year	200,157	(23,389)	176,768
	529,848	(55,368)	474,480
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

Company

	Payments	Interest	Principal
31 Dec 2011	$	$	$
Payable:			
After 1 year but within 5 years	154,558	(19,326)	135,232
Within 1 year	82,896	(11,107)	71,789
	237,454	(30,433)	207,021
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

Notes to Statements of Financial Position (cont'd)

(xiii) Finance lease liabilities

The net increase in finance lease liabilities as at 31 December 2011 was mainly due to the purchase of three motor vehicles under hire purchase arrangements during the current financial year.

(xiv) Bank term loans

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	$	$	$	$
Unsecured term loans				
- short-term	10,500,000	10,300,000	10,500,000	10,300,000
- long-term	777,363	1,180,104	-	-
	11,277,363	11,480,104	10,500,000	10,300,000

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2010 and 2011.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.27% to 1.47% (2010: 1.31% to 1.43%) per annum and are repayable within the next 12 months from the reporting date.

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

- a 10-year unsecured bank loan of RM2.5 million, bears interest at 8.10% (2010: 7.80%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- a 5-year unsecured bank loan of RM3.0 million, bears interest at 7.60% (2010: 7.30%) per annum and is repayable in 60 monthly instalments commencing May 2009.

As at 31 December 2011, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $10.9 million (2010: $11.2 million).

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1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2011	2010	2011	2010
	$	$	$	$
Cash flows from operating activities				
Profit before income tax	473,190	722,539	4,151,097	5,298,988
Adjustments for:				
Bad trade receivables				
- written off	4,067	4,796	4,579	7,621
- recovered	(100)	-	(5,225)	(710)
Depreciation of				
- property, plant and equipment	530,428	513,619	2,180,004	2,128,116
- brooder stocks	193,208	158,303	647,402	663,010
(Gain) Loss on disposal of				
- property, plant and equipment	(27,695)	37,393	(62,592)	22,625
- a subsidiary	(952,172)	-	(952,172)	-
Property, plant and equipment written off	3,063	-	7,148	10,692
Change in fair value less estimated point-of-sale costs	107,597	(234,888)	107,597	(234,888)
Allowance for (Write back of)				
- doubtful trade receivables	105,083	181,556	428,890	620,550
- inventory obsolescence	-	(122,000)	115,000	(170,000)
Share of losses of associates	22,981	1,490	96,645	67,490
Interest expense	105,201	112,250	410,157	500,316
Interest income	(6,697)	(1,670)	(13,419)	(4,523)
Operating profit before working capital changes	558,154	1,373,388	7,115,111	8,909,287
(Increase) Decrease in:				
Inventories	986,531	(270,471)	(2,415,313)	(2,789,831)
Breeder stocks	183,264	457,113	183,264	457,113
Trade receivables	(1,116,756)	(1,328,432)	(184,518)	(1,753,306)
Other receivables, deposits and prepayments	(245,208)	330,208	(1,554,688)	29,752
Due from associates (trade)	(12,362)	(181,070)	(55,259)	(148,049)
Increase (Decrease) in:				
Trade payables	(564,845)	(40,152)	(1,446,250)	742,653
Bills payable to banks	(533,060)	(4,539)	(37,078)	(5,742)
Other payables and accruals	1,036,457	809,161	563,844	(235,510)
Cash generated from operating activities	292,175	1,145,206	2,169,113	5,206,367
Refund (Payment) of income tax	193,012	220,429	(516,145)	(1,149,736)
Net cash from operating activities	485,187	1,365,635	1,652,968	4,056,631
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(444,065)	(285,579)	(1,632,687)	(1,251,806)
- brooder stocks	(338,966)	-	(338,966)	-
Proceeds from disposal of property, plant and equipment	342,208	1,674,745	382,980	1,690,103
Disposal of a subsidiary (Note i)	(95,937)	-	(95,937)	-
Interest received	6,697	1,670	13,419	4,523
Net cash (used in) from investing activities	(530,063)	1,390,836	(1,671,191)	442,820

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2011 (cont'd)**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2011	2010	2011	2010
	$	$	$	$
Cash flows from financing activities				
Proceeds from issuance of new shares	-	-	-	1,117,866
Drawdown of bank term loans	-	500,000	200,000	500,000
Repayment of				
- finance lease liabilities	(44,858)	(48,536)	(185,027)	(217,488)
- bank term loans	(1,695,887)	-	(371,760)	(1,155,324)
Payment of dividends to				
- shareholders of the Company	-	-	(2,270,532)	(2,241,701)
- non-controlling shareholder of a subsidiary	-	(103,200)	(200,160)	(207,360)
Capital contribution from non-controlling shareholders	225,000	-	225,000	-
Interest paid	(104,687)	(112,704)	(409,884)	(503,578)
Net cash (used in) from financing activities	(1,620,432)	235,560	(3,012,363)	(2,707,585)
Net (decrease) increase in cash and cash equivalents	(1,665,308)	2,992,031	(3,030,586)	1,791,866
Cash and cash equivalents at beginning of period/year	10,231,847	8,714,217	11,690,547	9,846,614
Effect of exchange rate changes on cash balances held in foreign currencies	39,012	(15,701)	(54,410)	52,067
Cash and cash equivalents at end of period/year (Note ii)	8,605,551	11,690,547	8,605,551	11,690,547

Notes to Statement of Cash Flows

(i) **Disposal of a subsidiary**

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

	Group	
	Financial year ended 31 Dec	
	2011	2010
	$	$
Property, plant and equipment	108,236	-
Inventories	7,466,242	-
Trade receivables	1,615,294	-
Prepayments	328,399	-
Due from related companies	339,377	-
Due from associates	1,486,497	-
Cash and bank balances	108,937	-
Trade payables	(205,265)	-
Other payables and accruals	(162,277)	-
Due to holding company	(12,075,476)	-
Net liabilities disposed	(990,036)	-
Gain on disposal of a subsidiary	952,172	-
Goodwill on consolidation	50,864	
Total consideration	13,000	-
Less: Cash and bank balances disposed	(108,937)	-
Net cash outflow from disposal of a subsidiary	(95,937)	-

Notes to Statement of Cash Flows (cont'd)

(i) **Disposal of a subsidiary (cont'd)**

During the financial year, the Company disposed of its entire equity interest in a subsidiary, Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd, to a non-related third party for a cash consideration of $13,000. As the subsidiary was in a negative net assets position as at the date of disposal, the gain on disposal of the subsidiary is $952,172.

(ii) **Cash and cash equivalents**

Cash and cash equivalents comprise:

	Group	
	31 Dec 2011	31 Dec 2010
	$	$
Fixed deposits	24,560	24,560
Cash and bank balances	8,580,991	11,665,987
	8,605,551	11,690,547

Fixed deposits bear average effective interest rate of 0.7% (2010: 0.7%) 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 0.1% (2010: 0% to 0.05%) per annum.

(iii) Overall, our cash and cash equivalents decreased by approximately $1.7 million and $3.0 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 2011 and for financial year ended 31 December 2011 was mainly due to a lower operating profit registered in current financial year as compared to FY 2010 and that the profit generated has yet to be fully realised into cash. With the reclassification of advance payments and trade balances with GZQH, a former subsidiary, to trade and other receivables following its disposal in the last quarter of 2011, it has resulted in higher outstanding amounts due from customers. In addition, there were additional purchases of Dragon Fish made in anticipation of its increasing demand in the coming quarter. These purchases were settled promptly with the cash generated from operations.

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

During the current financial year, cash were utilised for the repayment of bank loans, payment of dividends to the non-controlling shareholder of a subsidiary and the settlement of finance lease liabilities on a monthly basis, as well as the servicing of interest payments. The above, coupled with the payment of final dividends to the shareholders of the Company in April 2011, resulted in **net cash used in financing activities**.

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1(d) STATEMENT OF CHANGES IN EQUITY

Group	Equity attributable to equity holders of the Company Share capital $	Accumulated profits $	Currency translation reserve $	Total $	Non-controlling interests $	Total Equity $
Balance at 1 Jan 2010	29,654,922	31,042,392	(1,471,073)	59,226,241	9,993,905	69,220,146
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
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)
Balance at 31 Dec 2010	30,772,788	33,009,774	(1,059,241)	62,723,321	10,306,875	73,030,196
Total comprehensive income for the year						
Profit for the year	-	3,465,630	-	3,465,630	135,351	3,600,981
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(484,972)	(484,972)	(51,909)	(536,881)
Total other comprehensive income	-	-	(484,972)	(484,972)	(51,909)	(536,881)
Total comprehensive income for the year	-	3,465,630	(484,972)	2,980,658	83,442	3,064,100
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Payment of first and final dividend	-	(2,270,532)	-	(2,270,532)	-	(2,270,532)
Payment of dividend to non-controlling shareholder of a subsidiary	-	-	-	-	(200,160)	(200,160)
Total transactions with owners of the Company	-	(2,270,532)	-	(2,270,532)	(200,160)	(2,470,692)
Balance at 31 Dec 2011	30,772,788	34,204,872	(1,544,213)	63,433,447	10,190,157	73,623,604

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

Company	**Share capital** $	**Accumulated profits** $	**Total** $
Balance at 1 Jan 2010	29,654,922	16,163,180	45,818,102
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
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)
Balance at 31 Dec 2010	30,772,788	17,217,641	47,990,429
Total comprehensive income for the year			
Profit for the year	-	1,408,609	1,408,609
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,408,609	1,408,609
Transactions with owners of the Company, recognised directly in equity			
Contributions by and distributions to owners of the Company			
Payment of first and final dividend	-	(2,270,532)	(2,270,532)
Total transactions with owners of the Company	-	(2,270,532)	(2,270,532)
Balance at 31 Dec 2011	30,772,788	16,355,718	47,128,506

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 2010.

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 2011:

- Amendments to FRS 103 *Business Combinations (*resulting from *Improvements to FRSs 2010)*
- Revised FRS 24 *Related Party Disclosure (2010)*

The adoption of these new and revised FRSs is assessed to have no financial effect on the results and financial position of the Group and of the Company for the current and the previous financial years. Accordingly, it has no impact on the earnings per share of the Group and of the Company.

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

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2011	2010	2011	2010
EPS (based on consolidated net profit attributable to equity holders)				
- on weighted average number of ordinary shares on issue (cents)	0.19	0.13	0.76	0.94
- on a fully diluted basis (cents)	0.19	0.12	0.76	0.93

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 454,106,350 (2010: 446,605,983).

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

7 **NET ASSET VALUE PER SHARE**

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Net asset value per share based on existing issued share capital as at the respective dates (cents)	16.21	16.08	10.38	10.57

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

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

Financial year 2011 vs financial year 2010

	Group			
	Financial year ended 31 Dec			
	2011	2010	Decrease	
	$'000	$'000	$'000	%
Fish	42,713	45,175	(2,462)	(5.4)
Accessories	34,289	34,433	(144)	(0.4)
Plastics	11,339	11,555	(216)	(1.9)
	88,341	91,163	(2,822)	(3.1)

For the year ended 31 December 2011, 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 $2.8 million or 3.1% from approximately $91.1 million for the year ended 31 December 2010 to $88.3 million for the year ended 31 December 2011.

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

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

Financial year 2011 vs financial year 2010 (cont'd)

On a geographical basis, revenue from Singapore and overseas dipped by 3.9% and 2.7% respectively in the FY 2011 as compared to FY 2010.

4Q 2011 vs 4Q 2010

	Group			
	4Q 2011 $'000	4Q 2010 $'000	Increase (Decrease) $'000	%
Fish	7,358	10,153	(2,795)	(27.5)
Accessories	9,144	9,138	6	0.1
Plastics	2,814	2,948	(134)	(4.5)
	19,316	22,239	(2,923)	(13.1)

Our total revenue decreased by approximately $2.9 million or 13.1% from $22.2 million in the 4th quarter of 2010 to $19.3 million in the 4th quarter of 2011.

Fish
The reduction of our ornamental fish revenue by approximately $2.8 million or 27.5% in the 4th quarter of 2011 as compared to its corresponding period in 2010 was mainly due to the following:-

- Continuous weakening purchasing sentiments from the challenging European market in view of its sovereign debt crisis and in anticipation of the possible curb in the government's budget spending in order to restrain the rising government debts level, have resulted in a reduction in demand for ornamental fish in that region. This has a negative impact on the revenue contribution from the export of ornamental fish as the Group's revenue from the European markets have reduced by approximately 35% in the current quarter as compared its corresponding period in 2010.
- Massive and prolonged flooding situation in Thailand, which began in August and continued into December as a result of heavy rainfall, has disrupted our ornamental fish operations there, especially in the months of October and November when the flood water arrived into Bangkok. The number of shipments was significantly reduced due to the deficiency in logistics support for the delivery of fish (both domestic and export) during that period. During the critical days, our operations were shut down completely to avoid damage to the infrastructure of the farm facilities. The disaster has a severe impact on the revenue contribution from ornamental fish as the Thailand operations constitute approximately 15% of the Group's ornamental fish revenue.

Accessories
Despite the reduction in revenue contribution following the disposal of our Guangzhou factory in the 4th quarter of 2011, coupled with the temporary disruption experienced by the accessories business in Bangkok as a result of the severe flood since October, 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 to register a revenue of $9.1 million in the current quarter for this business segment, which is comparable to that of the corresponding period in 2010.

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

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

4Q 2011 vs 4Q 2010 (cont'd)

Plastics
Revenue from plastics activities registered a decline of $0.1 million or 4.5% in the current quarter as compared to its corresponding period in 2010 mainly due to lower sales of plastic products to the semiconductor and electronic sectors as a result of the diminution in production output from these sectors during the current quarter, coupled with a tumble in market demand in view of the global economic slowdown during the current financial period.

4Q 2011 vs 3Q 2011

	Group		Increase (Decrease)	
	4Q 2011	3Q 2011		
	$'000	$'000	$'000	%
Fish	7,358	10,690	(3,332)	(31.2)
Accessories	9,144	8,152	992	12.2
Plastics	2,814	2,680	134	5.0
	19,316	21,522	(2,206)	(10.2)

Our revenue decreased by $2.2 million or 10.2% from $21.5 million in the 3rd quarter of 2011 to $19.3 million in the 4th quarter of 2011 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 2011, our ornamental fish revenue took a plunge of $3.3 million or 31.2% as compared to the previous quarter as its revenue contribution suffered a temporary blip due to the massive and prolonged flooding in Thailand as a result of the heavy rainfall which has severely affected our ornamental fish shipments (both domestic and export), 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 regained its growth momentum into the 4th quarter of 2011, despite the reduction in revenue contribution following the disposal of our Guangzhou factory. The increase in accessories revenue on a quarter-on-quarter basis was mainly as a result of better revenue contributions from our export sales as mentioned earlier.

Plastics
With the enlarged customer base and product mix, our revenue from our plastic activities managed to register a $0.1 million or 5.0% growth in the current quarter as compared to that of the previous quarter.

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

(b) **Profitability**

Financial year 2011 vs financial year 2010

	Group			
	Financial year ended 31 Dec		Decrease	
	2011	2010		
	$'000	$'000	$'000	%
Fish	2,945	3,747	(802)	(21.4)
Accessories	2,599	2,790	(191)	(6.8)
Plastics	953	1,104	(151)	(13.7)
Unallocated corporate expenses	(2,346)	(2,342)	(4)	(0.2)
	4,151	5,299	(1,148)	(21.7)

Our operating profit before taxation decreased by approximately $1.1 million or 21.7% from approximately $5.3 million in FY 2010 to $4.2 million in FY 2011. Profit after taxation attributable to equity holders decreased by 17.7% from $4.2 million in FY 2010 to approximately $3.5 million in FY 2011.

4Q 2011 vs 4Q 2010

	Group			
	4Q	4Q	Increase	
	2011	2010	(Decrease)	
	$'000	$'000	$'000	%
Fish	(240)	284	(524)	(184.5)
Accessories	1,123	710	413	58.2
Plastics	216	315	(99)	(31.4)
Unallocated corporate expenses	(626)	(586)	(40)	(6.8)
	473	723	(250)	(34.6)

In line with the reduction in revenue from our business activities in the 4th quarter of 2011, our operating profit decreased by approximately $0.3 million or 34.6% as compared to its corresponding period in 2010.

Fish
The losses incurred by our ornamental fish business in the current quarter of approximately $0.2 million were mainly due to the following factors:-

- Revenue contribution from our Thailand fish operations was disrupted by the massive and prolonged flooding situation in Bangkok since October to December due to the heavy rainfall, coupled with 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.
- The fair value of our breeder stocks as at 31 December 2011, which was determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier, was approximately $0.3 million lower than that of the previous year. This has a negative impact on the profitability of the ornamental fish business in the current quarter.

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

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

4Q 2011 vs 4Q 2010 (cont'd)

Accessories
Should the gain on disposal of our Guangzhou factory of $0.95 million be excluded, our accessories business registered a dip of approximately $0.5 million or 75.9% in operating profit in the 4th quarter of 2011 as compared to its corresponding period in 2010, notwithstanding consistent revenue recorded. This is mainly due to lower profit margin registered resulting from our conscientious effort made to reduce our inventory level, as well as a shortfall in profit contribution from our Guangzhou factory following its disposal in the current quarter.

Our accessories export business continued to turn in respectable profit margins in the current quarter.

Plastics
Operating profit from our plastics activities decreased on a year-on-year basis primarily due to the reduction in revenue contribution as well as a slight erosion in profit margin as a result of increasing raw material prices (resins – which fluctuate with the oil prices).

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

4Q 2011 vs 3Q 2011

	Group		Increase (Decrease)	
	4Q 2011 $'000	3Q 2011 $'000	$'000	%
Fish	(240)	658	(898)	(136.5)
Accessories	1,123	604	519	85.9
Plastics	216	249	(33)	(13.3)
Unallocated corporate expenses	(626)	(634)	8	1.3
	473	877	(404)	(46.1)

Fish
The losses incurred by our ornamental fish business of approximately $0.2 million were mainly as a result of the difference in sales mix coupled with the drop in revenue contributions from our overseas markets and export business due to reasons as mentioned earlier.

In addition, the lower valuation of our breeder stocks as at 31 December 2011 by approximately $0.3 million 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 (cont'd)**

4Q 2011 vs 3Q 2011 (cont'd)

Accessories
Excluding the gain on disposal of our Guangzhou factory of $0.95 million, our accessories business registered an operating profit of $0.2 million in the current quarter, which was approximately $0.4 million or 71.7% lower than that of the previous quarter, despite an increase in revenue contributions. Our conscientious effort made to reduce our inventory level has affected the profitability of our accessories business during the current quarter as compared to the previous quarter.

Plastics
Despite the increase in revenue contribution in the current quarter as compared to the previous quarter, the operating profit from our plastics activities dipped by 13.3% mainly due to higher raw material costs (resins) which has eroded its profit margins, 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**

PROSPECTS FOR FY 2012

In FY 2012, 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 in FY 2011, we 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 proprietary brand names.

10 **PROSPECTS (cont'd)**

Streamlining of our breeding and sales of Dragon Fish

The Dragon Fish business segment is going to be very challenging for the next few years. We envisage keener competition especially from the source of supply of Dragon Fish. Hence, it is critical for our Group to assimilate the breeding of Dragon Fish in Singapore and Malaysia to our overseas markets, especially in China. Leveraging on the advantage of our advance R&D know-how in producing high quality selectively bred Dragon Fish, coupled with our existing strong market capability in Southeast Asia and China, we believe that we will conquer more market and should do better than other competitors from the region.

Increase in our 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 proprietary 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, Jakarta, Beijing and Shanghai, 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, Indonesia 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 250 locations to approximately 300 locations by end of Year 2012. Our joint venture in India will also enable us to expedite our penetration into the India market.

For the next few years, the outlook of the global economy is dim and the chances of the economy staying down are high. As the Eurozone economic growth rate tumbled, even though the Asian countries have generally achieved healthy growth at present, it may take them a few years to catch up on the shortfall from the European Union (EU). The growth momentum of the Asian economy will also remain an uncertainty going forward, in view of the possible negative repercussions that may arise from the EU crisis.

However, our business model remains robust and the diversity of our business has put us in a good standing. We will be more aggressive in the strengthening of our fundamentals and our financial positions as well as in enhancing our ability to generate cash. This could bring about possible fluctuations in our operating profit from quarter to quarter; nonetheless, we believe that by doing so, it will enable Qian Hu to be more resilient and sustainable in the long run. Barring any unforeseen circumstances, we envisage that the Group will continue to be profitable in the Year 2012.

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.

10 **PROSPECTS (cont'd)**

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.

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 2011, the percentage of our ornamental fish and aquarium and pet accessories revenue was approximately 48% and 39% of total revenue respectively, and within accessories, approximately 70% were revenue contribution from aquarium accessories products with the balance 30% 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 proprietary 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 250 distribution points across China distributing our Dragon Fish and aquarium accessories as at 31 December 2011, 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 2nd, 3rd or 4th 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 is currently focusing on the manufacturing of aquarium accessories and fish foods. However, we 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 FY 2009. With the conscientious R&D efforts 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 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 opportunity in Vietnam mentioned earlier materialise in the subsequent years, the investment amount 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 safeguarding 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 seven 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 2011, approximately 55% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 68% of the total revenue in FY 2011. 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 2011, 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. 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	0.6 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	2,725	2,271
Preference	-	-
Total:	2,725	2,271

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 15 March 2012, the dividends will be paid on 11 April 2012.

(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 29 March 2012 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 30 March 2012 for the preparation of dividend warrants.

13 RELATED PARTIES & INTERESTED PERSON TRANSACTIONS

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

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

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	$	$	$	$
Rental paid to a non-controlling shareholder of a subsidary	34,860	37,408	-	-
Fees paid to a company in which a director has an interest	19,200	-	19,200	-
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

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

Except for the above, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the financial year ended 31 December 2011.

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)

Group	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
	Financial year ended 31 Dec 2011				
Revenue					
External revenue	42,713	34,289	11,339	-	88,341
Inter-segment revenue	5,303	10,331	144	(15,778)	-
Total Revenue	48,016	44,620	11,483	(15,778)	88,341
Results					
EBITDA *	5,078	3,550	1,055	(2,211)	7,472
Depreciation and amortisation	(1,919)	(808)	(100)	-	(2,827)
Interest expense	(224)	(49)	(2)	(135)	(410)
Interest income	10	3	-	-	13
	2,945	2,696	953	(2,346)	4,248
Share of losses of associates	-	(97)	-	-	(97)
Profit before income tax	2,945	2,599	953	(2,346)	4,151
Income tax expense	(231)	(183)	(136)	-	(550)
Profit for the year	2,714	2,416	817	(2,346)	3,601
Net profit margin	**6.4%**	**7.0%**	**7.2%**		**4.1%**
Assets and Liabilities					
Segment assets	62,654	37,501	3,830	1,960	105,945
Investments in associates	-	1,007	-	-	1,007
Segment liabilities	14,453	4,940	1,886	11,042	32,321
Other Segment Information					
Expenditures for non-current assets **	1,328	629	134	-	2,091
Other non-cash items:					
Bad trade receivables					
- written off	4	1	-	-	5
- recovered	(5)	-	-	-	(5)
Gain on disposal of					
- property, plant and equipmen	(31)	(10)	(22)	-	(63)
- a subsidiary	-	(952)	-	-	(952)
Property, plant and equipment written off	2	4	1	-	7
Allowance for					
- doubtful trade receivables	284	145	-	-	429
- inventory obsolescence	-	115	-	-	115
Change in fair value less estimated point-of-sale costs	108	-	-	-	108

* *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 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)
Loss (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)

(b) **Geographical segments**

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

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

QIAN HU CORPORATION LIMITED
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14 **SEGMENT INFORMATION (cont'd)**

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

	Revenue Financial year ended 31 Dec		Non-current assets Financial year ended 31 Dec		Total assets Financial year ended 31 Dec	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Group	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	28,088	29,236	9,188	9,497	47,282	36,337
Other Asian countries	41,416	37,662	35,349	37,170	57,970	70,294
Europe	9,350	13,596	693	778	693	778
Others	9,487	10,669	-	-	-	-
Total	88,341	91,163	45,230	47,445	105,945	107,409

15 **BREAKDOWN OF REVENUE**

Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Total** $'000
4Q 2011				
Singapore (including domestic sales & sales to Singapore)	1,988	1,947	2,759	6,694
Overseas (including export to & sales in overseas)	5,370	7,197	55	12,622
Total revenue	7,358	9,144	2,814	19,316
4Q 2010				
Singapore	2,510	1,859	2,823	7,192
Overseas	7,643	7,279	125	15,047
Total revenue	10,153	9,138	2,948	22,239

Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Total** $'000
Financial year ended 31 Dec 2011				
Singapore (including domestic sales & sales to Singapore)	9,340	7,622	11,126	28,088
Overseas (including export to & sales in overseas)	33,373	26,667	213	60,253
Total revenue	42,713	34,289	11,339	88,341
Financial year ended 31 Dec 2010				
Singapore	10,684	7,318	11,234	29,236
Overseas	34,491	27,115	321	61,927
Total revenue	45,175	34,433	11,555	91,163

16 **QUARTERLY ANALYSIS**

	2011 $'000	2010 $'000	Increase (Decrease) %
Revenue			
1st Quarter	24,154	23,237	3.9
2nd Quarter	23,349	22,734	2.7
3rd Quarter	21,522	22,953	(6.2)
4th Quarter	19,316	22,239	(13.1)
	88,341	91,163	(3.1)
Profit before income tax			
1st Quarter	1,436	1,793	(19.9)
2nd Quarter	1,365	1,217	12.2
3rd Quarter	877	1,566	(44.0)
4th Quarter	473	723	(34.6)
	4,151	5,299	(21.7)
Profit after income tax and minority interests			
1st Quarter	1,008	1,412	(28.6)
2nd Quarter	998	950	5.1
3rd Quarter	574	1,213	(52.7)
4th Quarter	886	634	39.7
	3,466	4,209	(17.7)

- **Revenue**

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

- Weakening purchasing sentiments from the challenging European markets in anticipation of the curb in the government's budget spending in order to restrain the rising government debts level has resulted in a reduction in demand for ornamental fish in that region.
- Massive and prolonged flooding in Thailand from August to December as a result of heavy rainfall has affected the ornamental fish shipments during that period, especially in the months of October and November. Similarly, the accessories business in Bangkok also experienced temporary disruption as a result of the disaster.
- Reduction in revenue contribution from the Guangzhou factory (prior to its disposal in the 4th quarter of 2011) 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. Following its disposal, GZQH ceased its revenue contribution to the overall Group's revenue.

- **Profitability**

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

- As revenue contribution from ornamental fish was affected by the prolonged flooding in Thailand as well as the low business activities and weakening purchasing sentiments from the European markets, its operating profit reduced accordingly.
- Lower export business from the Guangzhou factory to our OEM customers and the increasing operating overheads in China has sliced off some profitability of the accessories business.

17 PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO THE DIRECTORS, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDERS

Pursuant to Rule 704(13) of the Listing Manual of SGX-ST, we set out below the persons holding managerial positions in the Group who are related to the Directors, Chief Executive Officer or substantial shareholders of the Company or of any of its principal subsidiaries:

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Yap Kim Choon	51	Substantial shareholder and brother of Kenny Yap Kim Lee	Division head of Wan Hu division (since 1988) **Duties :** Oversees the daily business operations of Wan Hu division	No change
Tan Boon Kim	46	Brother-in-law of Alvin Yap Ah Seng and Andy Yap Ah Siong	Managing Director of Thai Qian Hu Company Limited (since 2002) & Qian Hu Marketing Co Ltd (since 2005) **Duties :** Oversees the business operations and business development of both Thai Qian Hu Company Limited & Qian Hu Marketing Co Ltd	No change
Lee Kim Hwat	57	Brother-in-law of Kenny Yap Kim Lee	Managing Director of Qian Hu Tat Leng Plastic Pte Ltd (since 1996) **Duties :** Oversees and manages the daily operations and business development of Qian Hu Tat Leng Plastic Pte Ltd	No change

Kenny Yap Kim Lee, Alvin Yap Ah Seng, Andy Yap Ah Siong, Yap Ping Heng, Yap Hock Huat, Yap Kim Choon and Yap Kim Chuan are the substantial shareholders of the Company.

Yap Ping Heng, Yap Hock Huat, Yap Kim Choon, Yap Kim Chuan and Kenny Yap Kim Lee (Executive Chairman and Managing Director) are brothers. They are cousins to Alvin Yap Ah Seng and Andy Yap Ah Siong, our Executive Directors. Alvin Yap Ah Seng and Andy Yap Ah Siong are brothers.

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
11 January 2012

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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 2011, 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 FS53.

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 2011 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

11 January 2012