



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

**SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT**

1(a) **INCOME STATEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2012**

	Note	Group			Group		
		3 months ended 30 Jun			6 months ended 30 Jun		
		2012	2011	Change	2012	2011	Change
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		22,354	23,349	(4.3)	42,928	47,503	(9.6)
Cost of sales		(15,435)	(16,221)	(4.8)	(29,228)	(32,655)	(10.5)
<b>Gross profit</b>		<b>6,919</b>	<b>7,128</b>	<b>(2.9)</b>	<b>13,700</b>	<b>14,848</b>	<b>(7.7)</b>
Other income	i	68	37	83.8	138	90	53.3
		<b>6,987</b>	<b>7,165</b>	<b>(2.5)</b>	<b>13,838</b>	<b>14,938</b>	<b>(7.4)</b>
Selling & distribution expenses	ii	(471)	(347)	35.7	(809)	(740)	9.3
General & administrative expenses	ii	(5,819)	(5,318)	9.4	(11,589)	(11,187)	3.6
<b>Results from operating activities</b>	iii	<b>697</b>	<b>1,500</b>	<b>(53.5)</b>	<b>1,440</b>	<b>3,011</b>	<b>(52.2)</b>
Financial income	iv	6	4	50.0	9	5	80.0
Financial expenses	iv	(110)	(103)	6.8	(224)	(190)	17.9
		<b>593</b>	<b>1,401</b>	<b>(57.7)</b>	<b>1,225</b>	<b>2,826</b>	<b>(56.7)</b>
Share of profits (losses) of associates		24	(36)	166.7	(16)	(25)	(36.0)
<b>Profit before income tax</b>		<b>617</b>	<b>1,365</b>	<b>(54.8)</b>	<b>1,209</b>	<b>2,801</b>	<b>(56.8)</b>
Income tax expense	v	(109)	(274)	(60.2)	(244)	(528)	(53.8)
<b>Profit for the period</b>		<b>508</b>	<b>1,091</b>	<b>(53.4)</b>	<b>965</b>	<b>2,273</b>	<b>(57.5)</b>
Attributable to:							
<b>Equity holders of the Company</b>		<b>532</b>	<b>998</b>	<b>(46.7)</b>	<b>1,055</b>	<b>2,006</b>	<b>(47.4)</b>
Non-controlling interests		(24)	93	(125.8)	(90)	267	(133.7)
<b>Profit for the period</b>		<b>508</b>	<b>1,091</b>	<b>(53.4)</b>	<b>965</b>	<b>2,273</b>	<b>(57.5)</b>
Gross profit margin		31.0%	30.5%		31.9%	31.3%	
Net profit margin		2.3%	4.7%		2.2%	4.8%	
Effective tax rate		17.7%	20.1%		20.2%	18.9%	



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**STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2012**

	<u>Group</u>			<u>Group</u>		
	<u>3 months ended 30 Jun</u>		<u>Change</u>	<u>6 months ended 30 Jun</u>		<u>Change</u>
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Profit for the period</b>	508	1,091	(53.4)	965	2,273	(57.5)
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	(822)	(793)	3.7	(767)	(1,099)	(30.2)
<b>Other comprehensive income for the period, net of tax</b>	(822)	(793)	3.7	(767)	(1,099)	(30.2)
<b>Total comprehensive income for the period</b>	(314)	298	(205.4)	198	1,174	(83.1)
Attributable to:						
<b>Equity holders of the Company</b>	(23)	458	(105.0)	521	1,258	(58.6)
Non-controlling interests	(291)	(160)	81.9	(323)	(84)	284.5
<b>Total comprehensive income for the period</b>	(314)	298	(205.4)	198	1,174	(83.1)

**Notes to Income Statement**

(i) **Other income**

Other income comprises:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>		<u>6 months ended 30 Jun</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Gain on disposal of property, plant and equipment	22	2	60	16
Sundry income	46	35	78	74
	68	37	138	90

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

The increase in operating expenses by approximately \$0.6 million and \$0.5 million in the current quarter and during 1<sup>st</sup> half of 2012 respectively as compared to the corresponding periods in 2011, was mainly due to higher personnel expenses incurred as a result of annual salary revision as well as the broad-spectrum increase in operating costs (e.g. utilities costs) as a result of elevated inflationary pressure.

The reduction in operating expenses as a result of the disposal of the Group's entire equity interest in Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") in the 4<sup>th</sup> quarter of 2011 was partially offset by the expenses incurred by our newly set up subsidiary in Indonesia during the current financial period.



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

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun</b>		<b>6 months ended 30 Jun</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Auditors' remuneration				
- auditors of the Company	18	18	36	36
- other auditors	5	7	11	13
Non-audit fees				
- other auditors	3	2	15	7
Directors' fees				
- directors of the Company	20	20	40	35
Directors' remuneration				
- directors of the Company	278	268	556	535
- directors of subsidiaries	140	147	281	297
Bad trade receivables written off	-	-	4	-
Depreciation of				
- property, plant and equipment	572	534	1,138	1,101
- brooder stocks	155	158	318	323
Property, plant and equipment written off	-	1	3	3
Gain on disposal of property, plant and equipment	(22)	(2)	(60)	(16)
Allowance for				
- doubtful trade receivables	54	52	193	179
- inventory obsolescence	15	34	15	34
Operating lease expenses	290	294	576	609
Personnel expenses *	3,394	2,926	6,613	6,383
Exchange gain, net	(157)	(57)	(273)	(154)
Change in fair value less estimated point-of-sale costs	-	-	8	-

\* Include directors' remuneration.

(iv) **Financial income**  
**Financial expenses**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun</b>		<b>6 months ended 30 Jun</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest expense				
- bank loans and overdrafts	60	55	114	107
- bills payable	42	40	92	66
- finance lease liabilities	8	8	18	17
	<b>110</b>	<b>103</b>	<b>224</b>	<b>190</b>
Interest income				
- bank deposits	(6)	(4)	(9)	(5)
Net financial expenses	<b>104</b>	<b>99</b>	<b>215</b>	<b>185</b>



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

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

The increase in interest expense by approximately 5.1% or 16.2% in the current quarter and during the 1st half of 2012 respectively as compared to its corresponding periods in 2011 was mainly due to higher interest rates charged by the financial institutions as well as an increase in the amount of bank borrowings outstanding during the current reporting period.

(v) **Income tax expense**

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>	<u>3 months ended 30 Jun</u>	<u>6 months ended 30 Jun</u>	<u>6 months ended 30 Jun</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current tax				
- current year	109	256	244	504
- under provision in respect of prior year	-	18	-	24
	<u>109</u>	<u>274</u>	<u>244</u>	<u>528</u>

Despite the tax incentives granted for qualifying expenditures, the effective tax rate of 17.7% and 20.2% registered in the 2<sup>nd</sup> quarter of 2012 and half year ended 30 June 2012 respectively were higher than the amount obtained by applying the statutory tax rate of 17% on profit before income tax mainly due to losses incurred by some subsidiaries which cannot be offset against profits earned by other companies in the Group and the varying statutory tax rates of different countries in which the Group operates.



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

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>31 Jun 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
<b>Equity attributable to equity holders of the Company</b>				
Share capital	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	30,456,916	32,660,659	13,931,243	16,355,718
	<b>61,229,704</b>	<b>63,433,447</b>	<b>44,704,031</b>	<b>47,128,506</b>
<b>Non-Controlling Interests</b>	9,771,053	10,190,157	-	-
<b>Total Equity</b>	<b>71,000,757</b>	<b>73,623,604</b>	<b>44,704,031</b>	<b>47,128,506</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	12,692,624	13,046,754	5,726,212	5,604,163
Brooder stocks	28,092,056	28,918,645	2,947,672	2,981,922
Investments in subsidiaries	-	-	10,601,547	10,601,547
Investments in associates	989,985	1,006,594	1,215,200	1,215,200
Intangible assets	2,257,804	2,257,804	343,048	343,048
<b>Current Assets</b>				
Inventories	20,845,890	19,585,776	8,960,465	6,884,221
Breeder stocks	1,012,204	992,534	420,060	400,390
Trade receivables	27,731,789	27,149,218	21,964,383	20,127,366
Other receivables, deposits and prepayments	4,538,631	4,320,301	2,768,681	2,976,577
Due from				
- subsidiaries (trade)	-	-	6,429,606	9,590,533
- subsidiaries (non-trade)	-	-	2,318,577	2,481,395
- associates (trade)	154,206	61,464	154,206	61,464
Fixed deposits	25,446	24,560	25,446	24,560
Cash and bank balances	8,006,657	8,580,991	4,353,584	4,048,857
	<b>62,314,823</b>	<b>60,714,844</b>	<b>47,395,008</b>	<b>46,595,363</b>
<b>Current Liabilities</b>				
Trade payables	8,038,363	6,711,318	4,040,093	3,206,395
Bills payable to banks (unsecured)	4,397,221	4,226,403	723,255	741,204
Other payables and accruals	4,091,991	4,876,513	3,111,897	3,557,002
Due to				
- subsidiaries (trade)	-	-	64,326	45,720
- subsidiaries (non-trade)	-	-	1,563,610	1,130,000
- minority shareholders of a subsidiary	140,000	-	-	-
Finance lease liabilities	161,539	176,768	71,781	71,789
Bank term loans	13,569,567	11,277,363	13,000,000	10,500,000
Current tax payable	540,997	554,747	255,379	268,800
	<b>30,939,678</b>	<b>27,823,112</b>	<b>22,830,341</b>	<b>19,520,910</b>
<b>Net Current Assets</b>	31,375,145	32,891,732	24,564,667	27,074,453
<b>Non-Current Liabilities</b>				
Finance lease liabilities	(274,599)	(297,712)	(137,720)	(135,232)
Deferred tax liabilities	(4,132,258)	(4,200,213)	(556,595)	(556,595)
<b>Net Assets</b>	<b>71,000,757</b>	<b>73,623,604</b>	<b>44,704,031</b>	<b>47,128,506</b>



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

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
Inventory turnover (days)	132	137	88	77
Trade receivables turnover (days)	118	112	166	152
Trade receivables turnover (days) (without GZQH balances)	69	73	74	68
Debt equity ratio	0.50	0.44	0.53	0.43

Note - With the disposal of GZQH, a former subsidiary, in December 2011, the Group's trade balances with GZQH have been reclassified as trade receivables. Accordingly, it has resulted in a significant surge in trade receivables turnover days.

**Notes to Statements of Financial Position**

(1) The details of subsidiaries are as follows:

Name of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	%	%	\$	\$
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
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	55	275,000	275,000
			<b>10,601,547</b>	<b>10,601,547</b>

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



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

(2) The details of associates are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Unquoted equity investments				
- Arcadia Products PLC	812,600	812,600	812,600	812,600
- Qian Hu Aquasstar (India) Private Limited	402,600	402,600	402,600	402,600
	<u>1,215,200</u>	<u>1,215,200</u>	<u>1,215,200</u>	<u>1,215,200</u>
Share of post-acquisition losses	(225,215)	(208,606)	-	-
	<u>989,985</u>	<u>1,006,594</u>	<u>1,215,200</u>	<u>1,215,200</u>

<b>Name of associate</b>	<b>Principal activities</b>	<b>Effective equity held by the Group</b>	
		<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
		%	%
Arcadia Products PLC (United Kingdom)	Manufacture and distribution of aquarium lamps	20	20
Qian Hu Aquasstar (India) Private Limited (India)	Manufacture of fish food and aquarium accessories	50	50

(3) Intangible assets comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Trademarks/customer acquisition costs	937,647	937,970	921,497	921,497
Product listing fess	196,153	196,153	196,153	196,153
Goodwill on consolidation	1,914,756	1,914,756	-	-
	<u>3,048,556</u>	<u>3,048,879</u>	<u>1,117,650</u>	<u>1,117,650</u>
Less accumulated amortisation	(790,752)	(791,075)	(774,602)	(774,602)
	<u>2,257,804</u>	<u>2,257,804</u>	<u>343,048</u>	<u>343,048</u>

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the acquisition of trademarks rights and existing customer base of two brands of pet food. Such costs were determined to have indefinite lives and are tested for impairment annually.

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

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



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

(4) Inventories comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Fish	7,863,447	7,544,168	4,321,570	2,336,394
Accessories	12,688,584	11,711,813	5,028,895	4,922,827
Plastics products - raw materials	248,416	258,032	-	-
Plastics products - finished goods	529,233	540,553	-	-
	<u>21,329,680</u>	<u>20,054,566</u>	<u>9,350,465</u>	<u>7,259,221</u>
Less allowance for inventory obsolescence	(483,790)	(468,790)	(390,000)	(375,000)
	<u>20,845,890</u>	<u>19,585,776</u>	<u>8,960,465</u>	<u>6,884,221</u>

The higher fish inventory balance as at 30 June 2012 was mainly due to ornamental fish held as inventory in the newly set up subsidiary in Indonesia. Whereas the increase in accessories inventory balance was due to higher stock holding in relation to the new accessories products launched in the current financial year. Accordingly, it has resulted in the increase in trade payables and bills payables as at 30 June 2012.

(5) Trade receivables comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Trade receivables	29,586,457	28,810,854	23,680,881	21,755,089
Less allowance for doubtful trade receivables	(1,854,668)	(1,661,636)	(1,716,498)	(1,627,723)
	<u>27,731,789</u>	<u>27,149,218</u>	<u>21,964,383</u>	<u>20,127,366</u>

The increase in trade receivables as at 30 June 2012 was mainly due to higher credit sales generated in the 2<sup>nd</sup> quarter of 2012. The trade receivables turnover days have remained relatively consistent for both reporting periods.

The Group has reclassified its trade balances with GZQH, a former subsidiary, as trade receivables following the disposal in December 2011. The recoverability of the amount due from GZQH is guaranteed by a major shareholder of the Company.





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

(6) Other receivables, deposits and prepayments comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Other receivables	325,827	248,913	55,014	193,476
Deposits	329,636	352,836	72,140	75,940
Prepayments	629,071	594,198	233,103	205,789
Advances to suppliers	2,062,061	2,362,974	1,976,656	2,210,338
Deposit for purchase of property, plant and equipment	601,630	325,727	431,768	291,034
Tax recoverable	590,406	435,653	-	-
	<b>4,538,631</b>	<b>4,320,301</b>	<b>2,768,681</b>	<b>2,976,577</b>

The higher amount of other receivables, deposits and prepayments balances as at 30 June 2012 was mainly due to:-

- increase in deposits for purchase of property, plant and 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 amount of prepayments made as at 30 June 2012 as a result of payments incurred for certain expenses at the beginning of the year. Such amounts will be charged to the income statement throughout the current financial year.

(7) Other payables and accruals comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Accrued operating expenses	245,607	359,595	97,185	184,968
Accrued staff costs	1,168,196	1,852,908	868,531	1,474,390
Other payables	2,325,107	1,871,113	1,992,600	1,610,530
Advance received from customers	353,081	792,897	153,581	287,114
	<b>4,091,991</b>	<b>4,876,513</b>	<b>3,111,897</b>	<b>3,557,002</b>

The reduction of other payables and accruals as at 30 June 2012 was mainly due to the decrease in accrued staff costs as a result of bonus payment made in January 2012.

(8) The decrease in finance lease liabilities as at 30 June 2012 was due to settlement of monthly instalments due under the hire purchase agreements during the 1<sup>st</sup> half of 2012.



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

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
	\$	\$	\$	\$
Unsecured term loans				
- short-term	13,000,000	10,500,000	13,000,000	10,500,000
- long-term	569,567	777,363	-	-
	<u>13,569,567</u>	<u>11,277,363</u>	<u>13,000,000</u>	<u>10,500,000</u>

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.23% to 1.49% (31/12/2011: 1.27% to 1.47%) per annum and are repayable within the next 12 months from the reporting date.

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

- a 10-year unsecured bank loan of RM2.5 million, bears interest at 8.10% (31/12/2011: 8.10%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- a 5-year unsecured bank loan of RM3.0 million, bears interest at 7.60% (31/12/2011: 7.60%) per annum and is repayable in 60 monthly instalments commencing May 2009.

As at 30 June 2012, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$8.8 million (31/12/2011: \$10.9 million).



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1(c) **STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2012**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun 2012</b>	<b>2011</b>	<b>6 months ended 30 Jun 2012</b>	<b>2011</b>
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Profit before income tax	617,478	1,364,196	1,208,827	2,800,592
Adjustments for:				
Bad trade receivables written off	(59)	270	3,533	476
Depreciation of				
- property, plant and equipment	572,361	534,702	1,137,740	1,101,317
- brooder stocks	155,466	157,949	318,026	322,992
Gain on disposal of property, plant and equipment	(21,903)	(2,299)	(60,229)	(15,897)
Property, plant and equipment written off	(57)	1,074	2,536	2,695
Change in fair value less estimated point-of-sale costs	-	-	7,540	-
Allowance for				
- doubtful trade receivables	53,865	52,404	193,110	179,207
- inventory obsolescence	15,000	34,000	15,000	34,000
Share of (profits) losses of associates	(23,518)	35,836	16,609	24,877
Interest expense	109,393	103,826	223,432	189,988
Interest income	(6,223)	(4,905)	(8,853)	(5,465)
<b>Operating profit before working capital changes</b>	<b>1,471,803</b>	<b>2,277,053</b>	<b>3,057,271</b>	<b>4,634,782</b>
(Increase) Decrease in:				
Inventories	(325,890)	(937,016)	(1,354,372)	(2,533,904)
Breeder stocks	-	-	(27,210)	-
Trade receivables	(961,115)	478,852	(885,229)	726,949
Other receivables, deposits and prepayments	114,974	(184,416)	(82,647)	(937,347)
Due from associates (trade)	(101,398)	(69,880)	(92,742)	(38,686)
Increase (Decrease) in:				
Trade payables	937,728	(1,101,084)	1,382,819	(499,544)
Bills payable to banks	330,675	376,384	239,155	228,059
Other payables and accruals	52,846	(83,510)	(762,512)	(507,780)
Due to associates (trade)	-	(50,963)	-	-
<b>Cash generated from operating activities</b>	<b>1,519,623</b>	<b>705,420</b>	<b>1,474,533</b>	<b>1,072,529</b>
Payment of income tax	(345,878)	(318,685)	(415,458)	(392,472)
<b>Net cash from operating activities</b>	<b>1,173,745</b>	<b>386,735</b>	<b>1,059,075</b>	<b>680,057</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(704,204)	(634,378)	(942,152)	(937,119)
Proceeds from disposal of property, plant and equipment	31,981	8,174	104,746	21,772
Interest received	6,223	4,905	8,853	5,465
<b>Net cash used in investing activities</b>	<b>(666,000)</b>	<b>(621,299)</b>	<b>(828,553)</b>	<b>(909,882)</b>



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1(c) **STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2012 (cont'd)**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun 2012</b>	<b>2011</b>	<b>6 months ended 30 Jun 2012</b>	<b>2011</b>
	\$	\$	\$	\$
<b>Cash flows from financing activities</b>				
Drawdown of bank term loans	2,000,000	1,800,000	2,500,000	1,800,000
Advances from minority shareholders of a subsidiary	140,000	-	140,000	-
Repayment of				
- finance lease liabilities	(22,679)	(46,680)	(80,573)	(94,859)
- bank term loans	(94,823)	(89,672)	(192,554)	(182,743)
Payment of dividends to				
- shareholders of the Company	(2,724,638)	(2,270,532)	(2,724,638)	(2,270,532)
- non-controlling shareholder of a subsidiary	(96,000)	-	(96,000)	(99,600)
Interest paid	(107,618)	(101,955)	(221,939)	(189,360)
<b>Net cash used in financing activities</b>	<b>(905,758)</b>	<b>(708,839)</b>	<b>(675,704)</b>	<b>(1,037,094)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(398,013)</b>	<b>(943,403)</b>	<b>(445,182)</b>	<b>(1,266,919)</b>
Cash and cash equivalents at beginning of period	8,518,350	11,253,904	8,605,551	11,690,547
Effect of exchange rate changes on cash balances held in foreign currencies	(88,234)	(125,064)	(128,266)	(238,191)
<b>Cash and cash equivalents at end of period (Note i)</b>	<b>8,032,103</b>	<b>10,185,437</b>	<b>8,032,103</b>	<b>10,185,437</b>

**Notes to Statement of Cash Flows**

(i) Cash and cash equivalents comprise:

	<b>Group</b>	
	<b>30 Jun 2012</b>	<b>30 Jun 2011</b>
	\$	\$
Fixed deposits	25,446	24,560
Cash and bank balances	8,006,657	10,160,877
	<b>8,032,103</b>	<b>10,185,437</b>

(iii) Despite registering a lower operating profit in the current quarter and for the half year ended 30 June 2012 as compared to its corresponding periods in 2011, the improvement in the Group's **net cash from operating activities** was due to lower inventory held, notwithstanding the profit generated has yet been fully realised into cash as our trade receivables balances increased in accordance with the higher credit sales generated in the current quarter. In addition, we were able to better manage our cash flow by extending our credit terms with our regular suppliers for purchases made.

**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.



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1(c) **STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2012 (cont'd)**

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

During the 1<sup>st</sup> half of 2012, cash proceeds from banks borrowings and advances received from minority shareholders of a subsidiary 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 2012, resulted in **net cash used in financing activities**.

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

Group	Equity attributable to equity holders of the Company					
	Share capital \$	Accumulated profits \$	Currency translation reserve \$	Total \$	Non-controlling interests \$	Total Equity \$
<b>Balance at 1 Jan 2011</b>	30,772,788	33,009,774	(1,059,241)	62,723,321	10,306,875	73,030,196
<b>Total comprehensive income for the year</b>						
Profit for the year	-	3,465,630	-	3,465,630	135,351	3,600,981
<b>Other comprehensive income</b>						
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
<b>Transactions with owners of the Company, recognised directly in equity</b>						
<b>Contributions by and distributions to owners of the Company</b>						
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)
<b>Balance at 31 Dec 2011</b>	30,772,788	34,204,872	(1,544,213)	63,433,447	10,190,157	73,623,604
<b>Total comprehensive income for the year</b>						
Profit for the year	-	1,054,713	-	1,054,713	(89,675)	965,038
<b>Other comprehensive income</b>						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(533,818)	(533,818)	(233,429)	(767,247)
Total other comprehensive income	-	-	(533,818)	(533,818)	(233,429)	(767,247)
Total comprehensive income for the year	-	1,054,713	(533,818)	520,895	(323,104)	197,791
<b>Transactions with owners of the Company, recognised directly in equity</b>						
<b>Contributions by and distributions to owners of the Company</b>						
Payment of first and final dividend	-	(2,724,638)	-	(2,724,638)	-	(2,724,638)
Payment of dividend to non-controlling shareholder of a subsidiary	-	-	-	-	(96,000)	(96,000)
Total transactions with owners of the Company	-	(2,724,638)	-	(2,724,638)	(96,000)	(2,820,638)
<b>Balance at 30 Jun 2012</b>	30,772,788	32,534,947	(2,078,031)	61,229,704	9,771,053	71,000,757



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

Company	Share capital \$	Accumulated profits \$	Total \$
<b>Balance at 1 Jan 2011</b>	30,772,788	17,217,641	47,990,429
<b>Total comprehensive income for the year</b>			
Profit for the year	-	1,408,609	1,408,609
<i>Other comprehensive income</i>			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,408,609	1,408,609
<b>Transactions with owners of the Company, recognised directly in equity</b>			
<i>Contributions by and distributions to owners of the Company</i>			
Payment of first and final dividend	-	(2,270,532)	(2,270,532)
Total transactions with owners of the Company	-	(2,270,532)	(2,270,532)
<b>Balance at 31 Dec 2011</b>	<u>30,772,788</u>	<u>16,355,718</u>	<u>47,128,506</u>
<b>Total comprehensive income for the year</b>			
Profit for the year	-	300,163	300,163
<i>Other comprehensive income</i>			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	300,163	300,163
<b>Transactions with owners of the Company, recognised directly in equity</b>			
<i>Contributions by and distributions to owners of the Company</i>			
Payment of first and final dividend	-	(2,724,638)	(2,724,638)
Total transactions with owners of the Company	-	(2,724,638)	(2,724,638)
<b>Balance at 30 Jun 2012</b>	<u>30,772,788</u>	<u>13,931,243</u>	<u>44,704,031</u>

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

Share capital	Number of shares	\$
<b>Ordinary shares issued and fully paid</b>		
Balance as at 1 Jan 2012 and 30 Jun 2012	<u>454,106,350</u>	<u>30,772,788</u>

There was no movement in the issued and paid-up capital of the Company since 31 December 2011.

There were no outstanding convertibles as at 30 June 2012 (30/6/2011: Nil).

The Company did not hold any treasury shares as at 30 June 2012 (30/06/2011: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 30 June 2012.



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

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the second quarter and half year ended 30 June 2012 to be false or misleading in any material aspect.

On behalf of the Board of Directors

**KENNY YAP KIM LEE**  
Executive Chairman and  
Managing Director

**ALVIN YAP AH SENG**  
Deputy Managing Director

Singapore  
18 July 2012

2 **AUDIT**

The financial statements have not been audited or reviewed by the Company's auditors.

3 **AUDITORS' REPORT**

Not applicable

4 **ACCOUNTING POLICIES**

Other than the adoption of the new and revised Financial Reporting Standards (FRS) which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2011.

5 **CHANGES IN ACCOUNTING POLICIES**

The adoption of the new and revised FRSs is assessed to have no material impact to the results of the Group and of the Company for the year ending 31 December 2012.

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

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>		<u>6 months ended 30 Jun</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
EPS (based on consolidated net profit attributable to equity holders)				
- on weighted average number of ordinary shares on issue (cents)	0.11	0.22	0.23	0.44
- on a fully diluted basis (cents)	0.11	0.22	0.23	0.44

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 454,106,350 (30/6/2011: 454,106,350).

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



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7 **NET ASSET VALUE PER SHARE**

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	15.64	16.21	9.84	10.38

Net asset value per share is computed based on the number of shares in issue as at 30 June 2012 of 454,106,350 (31/12/2011: 454,106,350).

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

**6 months 2012 vs 6 months 2011**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>6 months ended 30 Jun 2012</b>	<b>2011</b>	<b>\$'000</b>	<b>%</b>
Fish	19,670	24,665	(4,995)	(20.3)
Accessories	17,533	16,993	540	3.2
Plastics	5,725	5,845	(120)	(2.1)
	<b>42,928</b>	<b>47,503</b>	<b>(4,575)</b>	<b>(9.6)</b>

For the 6 months ended 30 June 2012, the ornamental fish and accessories activities continued to be our core activities, which together accounted for almost 87% of total revenue. Our revenue decreased by approximately \$4.6 million or 9.6% from \$47.5 million for the 6 months ended 30 June 2011 to \$42.9 million for the 6 months ended 30 June 2012.

On a geographical basis, revenue from Singapore and overseas dipped by 12.6% and 8.3% respectively in the 1<sup>st</sup> half of 2012 as compared to its corresponding period in 2011.

**2Q 2012 vs 2Q 2011**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>2Q 2012</b>	<b>2Q 2011</b>	<b>\$'000</b>	<b>%</b>
Fish	10,010	12,015	(2,005)	(16.7)
Accessories	9,496	8,463	1,033	12.2
Plastics	2,848	2,871	(23)	(0.8)
	<b>22,354</b>	<b>23,349</b>	<b>(995)</b>	<b>(4.3)</b>

Our revenue decreased by approximately \$1.0 million or 4.3% in the 2<sup>nd</sup> quarter of 2012 as compared to its corresponding period in 2011 mainly due to the substantial reduction in ornamental fish revenue registered during the current quarter.





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

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

**2Q 2012 vs 2Q 2011 (cont'd)**

**Fish**

The reduction in our ornamental fish revenue by approximately \$2.0 million or 16.7% in the 2<sup>nd</sup> quarter of 2012, as compared to its corresponding period in 2011, was mainly due to the significant decrease in our revenue from Dragon Fish as a result of the intense price competition caused by the oversupply of Dragon Fish, as mentioned in our previous quarter results announcement. With the setting up of many new fish farms in Malaysia focusing in the production of Dragon Fish, the unexpected surge in the supply of Dragon Fish since the beginning of the year has resulted in a swift decline in its selling price. This continued to affect our overall ornamental fish revenue in the current quarter.

Nonetheless, the above reduction was partially offset by the revenue contribution from our newly set up subsidiary in Indonesia, as well as our continuous effort to increase our export of ornamental fish to more customers and countries around the world from Singapore, Malaysia and Thailand.

**Accessories**

The reduction in revenue contribution, following the disposal of our Guangzhou factory in December 2011, was offset by higher revenue generated from our accessories export sales. As mentioned in our earlier announcements, our accessories export business has managed to continue its leverage on the Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential; hence, registering a revenue of approximately \$9.5 million in the current quarter for this business segment, which is approximately \$1.0 million or 12.2% higher than its corresponding period in 2011.

**Plastics**

Revenue from plastics business remained consistent in the current quarter, comparable to that of the corresponding period in 2011.

**2Q 2012 vs 1Q 2012**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>2Q 2012</b>	<b>1Q 2012</b>		
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Fish	10,010	9,660	350	3.6
Accessories	9,496	8,037	1,459	18.2
Plastics	2,848	2,877	(29)	(1.0)
	<b>22,354</b>	<b>20,574</b>	<b>1,780</b>	<b>8.7</b>

Our revenue increased by \$1.8 million or 8.7% from \$20.6 million in the 1<sup>st</sup> quarter of 2012 to \$22.4 million in the 2<sup>nd</sup> quarter of 2012 mainly due to the increase in accessories revenue during the current quarter as compared to the previous quarter.



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

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

**2Q 2012 vs 1Q 2012 (cont'd)**

**Fish**

Despite the tumbling selling prices of Dragon Fish, we managed to sell more quantity of these fish in the current quarter mainly to our Northeast Asian markets, especially China, where we have a robust market share, a widening distribution network and a strong brand identity.

Accordingly, revenue contribution from our ornamental fish increased by approximately \$0.4 million or 3.6% in the current quarter as compared to the previous quarter.

**Accessories**

Revenue from our accessories activities regained its growth momentum into the 2<sup>nd</sup> quarter of 2012, 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**

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

(b) **Profitability**

**6 months 2012 vs 6 months 2011**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>2012</b>	<b>2011</b>	<b>\$'000</b>	<b>%</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Fish	774	2,527	(1,753)	(69.4)
Accessories	1,083	872	211	24.2
Plastics	481	488	(7)	(1.4)
Unallocated corporate expenses	(1,129)	(1,086)	(43)	(4.0)
	<b>1,209</b>	<b>2,801</b>	<b>(1,592)</b>	<b>(56.8)</b>

With lower revenue contribution registered, our operating profit before taxation decreased significantly by \$1.6 million or 56.8% from \$2.8 million for the half year ended 30 June 2011 to \$1.2 million for the half year ended 30 June 2012. Profit after taxation attributable to equity holders decreased by approximately \$0.9 million or 47.4% from \$2.0 million for the 6 months ended 30 June 2011 to \$1.1 million for the 6 months ended 30 June 2012. The reduction in profit contribution was from our ornamental fish business.



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

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

**2Q 2012 vs 2Q 2011**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>2Q 2012 \$'000</b>	<b>2Q 2011 \$'000</b>	<b>\$'000</b>	<b>%</b>
Fish	324	1,183	(859)	(72.6)
Accessories	596	442	154	34.8
Plastics	220	229	(9)	(3.9)
Unallocated corporate expenses	(523)	(489)	(34)	(7.0)
	<b>617</b>	<b>1,365</b>	<b>(748)</b>	<b>(54.8)</b>

**Fish**

Our operating profit from ornamental fish dipped by approximately \$0.9 million or 72.6% as compared to its corresponding period in 2011 mainly due to the lower revenue registered as well as the intense price competition caused by the oversupply of Dragon Fish as mentioned earlier. As a result of the swift decline in its selling price, coupled with the gradual increase in overall operational costs, our conscientious and on-going efforts made to retain our market share has sliced off some profitability from our ornamental fish business as profit margins from the sales of these fish were dilapidated.

The reliance of our other ornamental fish export business continued to turn in improved revenue and generate respectable profit margins.

**Accessories**

The lower profitability registered from our accessories business in the 2<sup>nd</sup> quarter of 2011 was mainly due to losses incurred by our Guangzhou factory prior to its disposal in December 2011, predominantly caused by the increase in material costs as well as wage costs following the salary revision so as to comply with the China “minimum wage” policy. Our accessories business continued to benefit from the better profit margin yielded from the growth in our accessories export business in the current quarter as compared to its corresponding period in 2011.

**Plastics**

Operating profit from our plastics activities remained relatively constant on a year-on-year basis, which is in line with the stable revenue contribution from this business segment.

**Unallocated corporate expenses**

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



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

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

**2Q 2012 vs 1Q 2012**

	<u>Group</u>		<b>Increase (Decrease)</b>	
	<b>2Q 2012 \$'000</b>	<b>1Q 2012 \$'000</b>	<b>\$'000</b>	<b>%</b>
Fish	324	450	(126)	(28.0)
Accessories	596	487	109	22.4
Plastics	220	261	(41)	(15.7)
Unallocated corporate expenses	(523)	(606)	83	13.7
	<u>617</u>	<u>592</u>	<u>25</u>	<u>4.2</u>

**Fish**

Despite registering an increase in revenue contribution from our ornamental fish activities, the dip in its operating profit by approximately \$0.1 million or 28.0 % in the current quarter as compared to the previous quarter was as a result of the difference in sales mix. In addition, with the declining selling prices from the Dragon Fish business and the gradual increase in overall operational costs, our conscientious and on-going efforts made to retain our market share have sliced off some profitability.

**Accessories**

The higher revenue registered by the accessories business in the current quarter gave rise to the improved profitability from the 1<sup>st</sup> quarter of 2012 to 2<sup>nd</sup> quarter of 2012.

**Plastics**

Despite the constant revenue contribution, the marginal decline in profitability from our plastics business in the 2<sup>nd</sup> quarter of 2012 as compared to the previous quarter was mainly due to the difference in sales mix.

**Unallocated corporate expenses**

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

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

Our Group's growth in the 2<sup>nd</sup> half of 2012 depends on:

- recovery of the economic situation in Europe;
- escalation of our export of aquarium and pet accessories;
- restructuring and streamlining of our breeding and sales of Dragon Fish;
- increase in our cash flow generation; and
- expansion of our regional domestic distribution network.



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10 **PROSPECTS (cont'd)**

The long term prospects of our Group are:

- to be the world's Number 1 ornamental fish exporter;
- to improve revenue contribution from pet accessories;
- to have the widest distribution network in China and India;
- to strengthen our commitment and continue our investment in research & development ("R&D");
- to be a debt-free and high dividend payout company;
- to be able to change in accordance with the changing environment and to continue to differentiate ourselves; and
- to stay focused in whatever we do.

More details on the prospects of the Group were included in our Full Year Financial Statements and Dividend Announcement dated 11 January 2012.

Moving into Year 2012, our Group has experienced an unprecedented business challenge for our ornamental fish business segment. Our export of ornamental fish to the European markets was affected by the Europe's economic woes. Despite the fact that our business activities are relatively resilient and recession proof, this prolonged uncertainty on the Europe economy has dampened consumers' confidence extensively. The situation got worse since the beginning of this year.

We believe that the outlook of the global economy is dim and circumstances are going to be tough for the rest of the year. However, Qian Hu is poised to further strengthen its export capability once the market recovers. We currently export ornamental fish from Singapore, Malaysia, Thailand, China and Indonesia to more than 80 countries around the world. When our newly set up export hub in Jakarta is fully operational and starts to play a more considerable role in revenue contribution, our Group will be on our way to become the biggest exporting ornamental fish company in the world.

As for our Dragon Fish business, as mentioned in our First Quarter Financial Statement Announcement dated 18 April 2012, due to the oversupply of mass market Dragon Fish which has led to a decline in its selling price, the profit margin from our Dragon Fish business has deteriorated hastily within a couple of month. The value chain of the Dragon Fish business has since shifted from breeders to distributors.

With the view that the level of intense competition in the Dragon Fish business will continue to aggravate, the Board has proposed to dispose of the Group's entity interest in Kim Kang Aquaculture Sdn Bhd ("Kim Kang"), its 65% owned subsidiary located in Batu Pahat (Johor, Malaysia), dealing with the breeding of Dragon Fish. After the disposal, we will concentrate on the production of high premium Dragon Fish in Singapore. The disposal will also unlock the value of the assets in Kim Kang and allow us to rationalise our financial and capital resources. The cash proceeds will be redeployed to reduce bank borrowings as well as for the payment of a special dividend around September 2013. More efforts can also be redirected to expand the distribution network so as to increase the Dragon Fish sales to the Asian markets, especially China. *(Please refer to the separate SGXNET announcement for more details on the proposed disposal.)*

We expect that the divestment in Kim Kang will give rise to a one-off net loss on disposal amounting to approximately \$9.2 million at the Group level, which will be reflected in the 3<sup>rd</sup> quarter financial results of the Group. In view of the investment loss, coupled with the possible implication on the restructuring of our Dragon Fish business, our Group's financial performance for the next quarter will be weak.



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10 **PROSPECTS (cont'd)**

Nonetheless, our Group's other business segments; such as the distribution of aquarium and pet accessories and our plastic business remain resilient and will continue to generate respectable profit margins and healthy cash flow. We have also managed to capitalise on the experience of internal resources and leverage on relevant external expertise in developing a series of newly launched innovative aquarium products, which have received positive and encouraging responses from both the Asian and Western markets. In just a matter of time, we envisage that Qian Hu will truly be a knowledge-based and technologically driven company with marketing capabilities.

11 **DIVIDEND**

No interim dividend for the half year ended 30 June 2012 is recommended.

12 **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 period, there were related parties transactions based on terms agreed between the parties as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2012</b>	<b>30 Jun 2011</b>	<b>30 Jun 2012</b>	<b>30 Jun 2011</b>
	\$	\$	\$	\$
Rental paid to a non-controlling shareholder of a subsidiary	14,240	17,387	-	-
Fees paid to a company in which a director has an interest	8,500	-	8,500	-
Guarantee fee paid to a major shareholder of the Company *	30,619	-	30,619	-
Consultancy fees paid to a company in which a director has a substantial interest	-	8,300	-	8,300

\* With effect from January 2012, the Group and the Company is 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 second quarter and the half year ended 30 June 2012.

13 **SEGMENT INFORMATION**

(a) **Business segments**

The Group's operating segments are its strategic business units which offer different products and are managed separately. The reportable segment presentation is based on the Group's management and internal reporting structure used for its strategic decision-making purposes.



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

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

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.

Group	6 months ended 30 Jun 2012				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>Revenue</b>					
External revenue	19,370	17,833	5,725	-	42,928
Inter-segment revenue	1,157	3,926	73	(5,156)	-
<b>Total Revenue</b>	<b>20,527</b>	<b>21,759</b>	<b>5,798</b>	<b>(5,156)</b>	<b>42,928</b>
<b>Results</b>					
EBITDA *	1,993	1,418	527	(1,042)	2,896
Depreciation and amortisation	(1,014)	(397)	(45)	-	(1,456)
Interest expense	(112)	(24)	(1)	(87)	(224)
Interest income	7	2	-	-	9
	874	999	481	(1,129)	1,225
Share of losses of associates	-	(16)	-	-	(16)
Profit before income tax	874	983	481	(1,129)	1,209
Income tax expense	(127)	(62)	(55)	-	(244)
<b>Profit for the period</b>	<b>747</b>	<b>921</b>	<b>426</b>	<b>(1,129)</b>	<b>965</b>
<b>Net profit margin</b>	<b>3.9%</b>	<b>5.2%</b>	<b>7.4%</b>		<b>2.2%</b>
<b>Assets and Liabilities</b>					
Segment assets	61,980	39,335	3,641	1,391	106,347
Investments in associates	-	990	-	-	990
Segment liabilities	14,227	6,134	1,664	13,321	35,346
<b>Other Segment Information</b>					
Expenditures for non-current assets **	698	288	6	-	992
Other non-cash items:					
Bad trade receivables written off	4	-	-	-	4
Gain on disposal of property, plant and equipment	(38)	(22)	-	-	(60)
Property, plant and equipment written off	2	1	-	-	3
Allowance for					
- doubtful trade receivables	44	149	-	-	193
- inventory obsolescence	-	15	-	-	15
Change in fair value less estimated point-of-sale costs	8	-	-	-	8

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

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



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

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

Group	6 months ended 30 Jun 2011				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>Revenue</b>					
External revenue	24,665	16,993	5,845	-	47,503
Inter-segment revenue	3,042	5,966	73	(9,081)	-
<b>Total Revenue</b>	<b>27,707</b>	<b>22,959</b>	<b>5,918</b>	<b>(9,081)</b>	<b>47,503</b>
<b>Results</b>					
EBITDA *	3,591	1,322	542	(1,020)	4,435
Depreciation and amortisation	(965)	(405)	(54)	-	(1,424)
Interest expense	(102)	(22)	-	(66)	(190)
Interest income	3	2	-	-	5
	2,527	897	488	(1,086)	2,826
Share of losses of associates	-	(25)	-	-	(25)
Profit before income tax	2,527	872	488	(1,086)	2,801
Income tax expense	(349)	(124)	(55)	-	(528)
<b>Profit for the period</b>	<b>2,178</b>	<b>748</b>	<b>433</b>	<b>(1,086)</b>	<b>2,273</b>
<b>Net profit margin</b>	<b>8.8%</b>	<b>4.4%</b>	<b>7.4%</b>		<b>4.8%</b>
<b>Assets and Liabilities</b>					
Segment assets	65,693	35,107	3,857	1,910	106,567
Investments in associates	-	1,078	-	-	1,078
Segment liabilities	16,830	4,052	1,696	12,155	34,733
<b>Other Segment Information</b>					
Expenditures for non-current assets **	586	344	28	-	958
Other non-cash items:					
Gain on disposal of property, plant and equipment	-	(13)	(3)	-	(16)
Property, plant and equipment written off	2	-	1	-	3
Allowance for					
- doubtful trade receivables	125	54	-	-	179
- inventory obsolescence	-	34	-	-	34

(b) **Geographical segments**

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

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





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

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

Group	Revenue		Segment non-current assets		Segment assets	
	6 months ended 30 Jun		6 months ended 30 Jun		6 months ended 30 Jun	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	12,822	14,666	8,880	9,380	40,854	34,935
Other Asian countries	21,185	22,441	34,463	35,774	64,804	70,870
Europe	4,410	5,311	689	762	689	762
Others	4,511	5,085	-	-	-	-
<b>Total</b>	<b>42,928</b>	<b>47,503</b>	<b>44,032</b>	<b>45,916</b>	<b>106,347</b>	<b>106,567</b>

(c) **Major customers**

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

14 **BREAKDOWN OF REVENUE**

Revenue (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
<b>2Q 2012</b>				
Singapore (including domestic sales & sales to Singapore)	1,485	2,215	2,729	6,429
Overseas (including export to & sales in overseas)	8,225	7,581	119	15,925
<b>Total revenue</b>	<b>9,710</b>	<b>9,796</b>	<b>2,848</b>	<b>22,354</b>
<b>2Q 2011</b>				
Singapore	2,591	2,025	2,781	7,397
Overseas	9,424	6,438	90	15,952
<b>Total revenue</b>	<b>12,015</b>	<b>8,463</b>	<b>2,871</b>	<b>23,349</b>
<b>6 months ended 30 Jun 2012</b>				
Singapore (including domestic sales & sales to Singapore)	3,254	4,104	5,464	12,822
Overseas (including export to & sales in overseas)	16,116	13,729	261	30,106
<b>Total revenue</b>	<b>19,370</b>	<b>17,833</b>	<b>5,725</b>	<b>42,928</b>
<b>6 months ended 30 Jun 2011</b>				
Singapore	5,132	3,798	5,736	14,666
Overseas	19,533	13,195	109	32,837
<b>Total revenue</b>	<b>24,665</b>	<b>16,993</b>	<b>5,845</b>	<b>47,503</b>

**BY ORDER OF THE BOARD**

Kenny Yap Kim Lee  
Executive Chairman and Managing Director  
18 July 2012