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

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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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 2012

	Note	Group 3 months ended 31 Dec 2012 $'000	Group 3 months ended 31 Dec 2011 $'000	Change %	Group Financial year ended 31 Dec 2012 $'000	Group Financial year ended 31 Dec 2011 $'000	Change %
Revenue		19,829	19,316	2.7	84,443	88,341	(4.4)
Cost of sales		(13,918)	(13,943)	(0.2)	(59,062)	(61,041)	(3.2)
Gross profit		5,911	5,373	10.0	25,381	27,300	(7.0)
Other income (expenses)	i	77	1,008	(92.4)	(9,081)	1,166	(878.8)
		5,988	6,381	(6.2)	16,300	28,466	(42.7)
Selling & distribution expenses	ii	(502)	(410)	22.4	(1,742)	(1,611)	8.1
General & administrative expenses	ii	(5,267)	(5,376)	(2.0)	(22,799)	(22,210)	2.7
Results from operating activities	iii	219	595	(63.2)	(8,241)	4,645	(277.4)
Financial income	iv	6	6	-	23	13	76.9
Financial expenses	iv	(57)	(105)	(45.7)	(388)	(410)	(5.4)
		168	496	(66.1)	(8,606)	4,248	(302.6)
Share of losses of associates		(28)	(23)	21.7	(77)	(97)	(20.6)
Profit (Loss) before tax		140	473	(70.4)	(8,683)	4,151	(309.2)
Tax expense	v	(117)	221	(152.9)	(477)	(550)	(13.3)
Profit (Loss) for the period/year		23	694	(96.7)	(9,160)	3,601	(354.4)
(Loss) Profit attributable to:							
Equity holders of the Company		**(49)**	**886**	**(105.5)**	**(9,137)**	**3,466**	**(363.6)**
Non-controlling interests		72	(192)	137.5	(23)	135	(117.0)
Profit (Loss) for the period/year		23	694	(96.7)	(9,160)	3,601	(354.4)
Gross profit margin		29.8%	27.8%		30.1%	30.9%	
Net profit margin *		(0.1%)	(1.3%)		0.1%	3.0%	
Effective tax rate *		-	-		66.6%	16.0%	
Return on equity		-	-		(17.4%)	5.5%	

NM: Not Meaningful

** excluded the gain or loss on disposal of subsidiary and impairment loss on investment in an associate.*

QIAN HU CORPORATION LIMITED
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STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group			Group		
	3 months ended 31 Dec			Financial year ended 31 Dec		
	2012	2011	Change	2012	2011	Change
	$'000	$'000	%	$'000	$'000	%
Profit (Loss) for the period/year	23	694	(96.7)	(9,160)	3,601	(354.4)
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	(12)	318	(103.8)	(402)	(537)	(25.1)
Other comprehensive income for the period/year, net of tax	(12)	318	(103.8)	(402)	(537)	(25.1)
Total comprehensive income for the period/year	11	1,012	(98.9)	(9,562)	3,064	(412.1)
(Loss) Profit attributable to:						
Equity holders of the Company	**(57)**	**968**	**(105.9)**	**(9,445)**	**2,981**	**(416.8)**
Non-controlling interests	68	44	54.5	(117)	83	(241.0)
Total comprehensive income for the period/year	11	1,012	(98.9)	(9,562)	3,064	(412.1)

Notes to Income Statement

(i) Other income (expenses)

Other income (expenses) comprises:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Gain (Loss) on disposal of				
- property, plant and equipment	6	28	66	63
- a subsidiary	-	952	(9,062)	952
Impairment loss on investment in an associate	33	-	(222)	-
Sundry income	38	28	137	151
	77	1,008	(9,081)	1,166

Loss on disposal of a subsidiary of approximately $9.1 million arises from the disposal of the Group's entire equity interest in Kim Kang Aquaculture Sdn Bhd ("Kim Kang"), its 65% owned subsidiary dealing with the breeding of Dragon Fish, to its minority shareholders (please refer to SGXNET announcement No. 00083 and No. 00056 released on 18 July 2012 and 17 October 2012, respectively for further details).

The gain on disposal of a subsidiary of approximately $1 million registered in FY 2011 arose from the disposal of the Group's entire equity interest in another subsidiary, Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd ("GZQH"), in December 2011.

Notes to Income Statement (cont'd)

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

The increase in operating expenses by approximately $0.7 million for year ended 31 December 2012 as compared to the corresponding period 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 interests in GZQH and Kim Kang during the 4th quarter of 2011 and 2012, respectively, was partially offset by the expenses incurred by our newly set up subsidiary in Indonesia during the current financial year.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Auditors' remuneration				
- auditors of the Company	33	16	87	80
- other auditors	10	12	27	32
Non-audit fees				
- other auditors	7	9	30	23
Directors' fees				
- directors of the Company	20	25	80	75
Directors' remuneration				
- directors of the Company	303	409	1,137	1,202
- directors of subsidiaries	109	150	532	597
Bad trade receivables				
- written off	29	4	33	5
- recovered	-	-	-	(5)
Depreciation of				
- property, plant and equipment	506	530	2,218	2,180
- brooder stocks	47	193	524	647
Property, plant and equipment written off	8	3	12	7
Allowance for (Write back of allowance for)				
- doubtful trade receivables	150	105	475	429
- inventory obsolescence	(15)	-	-	115
Operating lease expenses	277	269	1,132	1,169
Personnel expenses *	3,113	3,101	12,956	12,811
Exchange gain, net	(201)	(128)	(320)	(547)
Change in fair value less estimated point-of-sale costs	75	108	83	108

* Include directors' remuneration.

Notes to Income Statement (cont'd)

(iv) **Financial income**
Financial expenses

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Interest expense				
- bank loans and overdrafts	38	49	206	213
- bills payable	11	48	149	164
- finance lease liabilities	8	8	33	33
	57	105	388	410
Interest income				
- bank deposits	(6)	(6)	(23)	(13)
Net financial expenses	51	99	365	397

Despite the higher interest rates charged by the financial institutions as well as an increase in the amount of bank borrowings outstanding throughout the financial year, the reduction in financial expense in the 4th quarter of 2012 and FY 2012 as compared to its corresponding periods in 2011 were related to interest expense incurred by Kim Kang, which was disposed of in the current financial period.

(v) **Tax expense**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current tax				
- current year	162	(17)	524	730
- under (over) provision in respect of prior years	129	(167)	127	(143)
Deferred tax				
- temporary differences	(124)	(66)	(124)	(66)
- under (over) provision in respect of prior years	(50)	29	(50)	29
	117	(221)	477	550

The Group incurred losses for the financial year ended 31 December 2012 mainly due to one-off investment losses. The current tax expense was in relation to the operating profits registered by the individual entities.

Despite the tax incentives granted for qualifying expenditures, the high effective tax rate registered for financial year ended 31 December 2012 were mainly due to losses incurred by some subsidiaries which cannot be offset against profits earned by other companies in the Group.

QIAN HU CORPORATION LIMITED
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1(b) **STATEMENTS OF FINANCIAL POSITION**

	Note	Group		Company	
		31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
		$	$	$	$
Equity attributable to equity holders of the Company					
Share capital	i	30,772,788	30,772,788	30,772,788	30,772,788
Reserves		21,756,608	32,660,659	14,478,844	16,355,718
		52,529,396	**63,433,447**	**45,251,632**	**47,128,506**
Non-Controlling Interests		1,590,439	10,190,157	-	-
Total Equity		**54,119,835**	**73,623,604**	**45,251,632**	**47,128,506**
Non-Current Assets					
Property, plant and equipment	ii	7,122,631	13,046,754	5,294,588	5,604,163
Brooder stocks	ii	8,934,081	28,918,645	8,934,081	2,981,922
Investments in subsidiaries	iii	-	-	2,063,156	10,601,547
Investments in associates	iv	708,143	1,006,594	815,200	1,215,200
Intangible assets	v	343,048	2,257,804	343,048	343,048
Long-term receivables	vi	3,720,000	-	3,720,000	-
Current Assets					
Inventories	vii	16,222,031	19,585,776	6,928,953	6,884,221
Breeder stocks	viii	197,722	992,534	197,722	400,390
Trade receivables	ix	26,764,914	27,149,218	21,484,518	20,127,366
Other receivables, deposits and prepayments	x	5,330,321	4,320,301	4,486,897	2,976,577
Due from					
- subsidiaries (trade)		-	-	5,946,793	9,590,533
- subsidiaries (non-trade)		-	-	426,681	2,481,395
- associate (trade)	xi	327,196	61,464	327,196	61,464
Fixed deposits		25,446	24,560	25,446	24,560
Cash and bank balances		8,246,907	8,580,991	4,949,834	4,048,857
		57,114,537	60,714,844	44,774,040	46,595,363
Current Liabilities					
Trade payables		5,537,314	6,711,318	2,666,821	3,206,395
Bills payable to banks (unsecured)	xii	883,938	4,226,403	883,938	741,204
Other payables and accruals	xiii	4,032,930	4,876,513	3,317,156	3,557,002
Due to					
- subsidiaries (trade)		-	-	55,114	45,720
- subsidiaries (non-trade)		-	-	1,042,301	1,130,000
- minority shareholder of a subsidiary (non-trade)		29,484	-	-	-
Finance lease liabilities	xiv	157,501	176,768	68,365	71,789
Bank term loans	xv	12,000,000	11,277,363	12,000,000	10,500,000
Current tax payable		517,830	554,747	171,978	268,800
		23,158,997	27,823,112	20,205,673	19,520,910
Net Current Assets		33,955,540	32,891,732	24,568,367	27,074,453
Non-Current Liabilities					
Finance lease liabilities	xiv	(253,608)	(297,712)	(106,808)	(135,232)
Deferred tax liabilities		(410,000)	(4,200,213)	(380,000)	(556,595)
Net Assets		**54,119,835**	**73,623,604**	**45,251,632**	**47,128,506**

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

	Group		Company	
	31 Dec 2012	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**
Inventory turnover (days)	115	137	71	77
Trade receivables turnover (days)	116	112	159	152
Trade receivables turnover (days) *(without GZQH balances)*	71	73	76	68
Debt equity ratio	0.44	0.44	0.46	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

(i) **Share capital**

	Number of shares	$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2012 and 31 Dec 2012	454,106,350	30,772,788

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 31 December 2012 (2011: Nil).

The Company did not hold any treasury shares as at 31 December 2012 (2011: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the financial year ended 31 December 2012.

(ii) **Property, plant and equipment**
Brooder stocks

With the disposal of Kim Kang, a significant subsidiary of the Group, the total assets and liabilities of the Group were reduced substantially (please refer to page 16 on the details of the amount of assets and liabilities disposed). Accordingly, the Group's property, plant & equipment and brooder stocks balances have decreased as at 31 December 2012.

	Group		Company	
	31 Dec 2012	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**
	$	$	$	$
Cost				
Balance as at 1 Jan	32,370,123	33,150,507	3,425,000	3,425,000
Additions during the year	6,050,000	338,966	6,050,000	-
Disposals during the year	-	(338,966)	-	-
Disposal of a subsidiary	(28,377,572)	-	-	-
Translation differences	(567,551)	(780,384)	-	-
Balance as at 31 Dec	9,475,000	32,370,123	9,475,000	3,425,000

Notes to Statements of Financial Position (cont'd)

(ii) **Property, plant and equipment**
Brooder stocks (cont'd)

	Group		Company	
	31 Dec 2012	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**
	$	$	$	$
Accumulated depreciation and impairment losses				
Balance as at 1 Jan	3,451,478	2,900,764	443,078	374,578
Depreciation charge for the year	523,505	647,402	97,841	68,500
Disposals during the year	-	(30,368)	-	-
Disposal of a subsidiary	(3,375,076)	-	-	-
Translation differences	(58,988)	(66,320)	-	-
Balance as at 31 Dec	540,919	3,451,478	540,919	443,078
Net carrying value				
Balance as at 31 Dec	8,934,081	28,918,645	8,934,081	2,981,922

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

(iii) **Investments in subsidiaries**

The details of subsidiaries are as follows:

Name of subsidiary	**Effective equity interest held by the Group**		**Cost of investment by the Company**	
	31 Dec 2012	**31 Dec 2011**	**31 Dec 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	-	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
	Balance carried forward		1,635,603	10,173,994

Notes to Statements of Financial Position (cont'd)

Name of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	%	%	$	$
	Balance brought forward		1,635,603	10,173,994
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
			2,063,156	10,601,547

* The Company has voting control at general meetings & Board meetings of NNTL (Thailand) Limited.
# The Company disposed of the subsidiary in September 2012.

(iv) Investments in associates

The details of associates are as follows:

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	$	$	$	$
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	(285,278)	(208,606)	-	-
Impairment loss on investment	(221,779)	-	(400,000)	-
	708,143	1,006,594	815,200	1,215,200

Name of associate	Principal activities	Effective equity held by the Group	
		31 Dec 2012	31 Dec 2011
		%	%
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

The Group recorded an impairment loss relating to its investment in Arcadia Products PLC ("Arcadia") as the carrying amount of the investment was affected by the depreciation of Sterling Pound (£) against Singapore Dollar (S$) since its acquisition. The Group will continue to equity account for its share of results in Arcadia.

Notes to Statements of Financial Position (cont'd)

(v) **Intangible assets**

	Group		Company	
	31 Dec 2012	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**
	$	$	$	$
Trademarks/customer acquisition costs	937,566	937,970	921,497	921,497
Product listing fees	196,153	196,153	196,153	196,153
Goodwill on consolidation	-	1,914,756	-	-
	1,133,719	3,048,879	1,117,650	1,117,650
Less accumulated amortisation	(790,671)	(791,075)	(774,602)	(774,602)
	343,048	2,257,804	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.

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 has been reversed upon the disposal of Kim Kang in the current financial year.

(vi) **Long-term receivables**

Long-term receivables consist of the outstanding amounts due from the purchasers of Kim Kang of $2,632,500 and the advances extended by the Company to Kim Kang before its disposal of $1,087,500.

In accordance with the Sale and Purchase Agreement ("SPA") entered into between the Company and the purchasers dated 17 October 2012, the total consideration of $9.4 million arising from the disposal of Kim Kang is to be satisfied by $3.9 million in cash and $5.5 million of brooder stocks. Upon the execution of the SPA, a payment of 10% of the cash consideration, being $390,000, has been made by the purchasers, together with the transfer of all brooder stocks. The balance of the cash portion of the consideration of $3.51 million will be settled in four equal annual instalments, on the first, second, third and fourth anniversaries of the SPA date, of $877,500 each.

In addition, the Company, being a shareholder of Kim Kang previously, had from time to time, given advances to Kim Kang. As at the SPA date, the total amount of the advances extended by the Company to Kim Kang was $2 million. The Company has entered into an Advances Repayment Agreement dated 17 October 2012, such that upon the execution of the SPA, Kim Kang has repaid $550,000 of the advances extended by the transfer of 100 pieces of brooder stocks. The balance of the advances of $1.45 million will be settled in four equal annual instalments, on the first, second, third and fourth anniversaries of the SPA date, of $362,500 each.

Notes to Statements of Financial Position (cont'd)

(vii) **Inventories**

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	$	$	$	$
Fish	3,562,786	7,544,168	2,513,962	2,336,394
Accessories	12,316,716	11,711,813	4,789,991	4,922,827
Plastics products - raw materials	288,341	258,032	-	-
Plastics products - finished goods	522,978	540,553	-	-
	16,690,821	20,054,566	7,303,953	7,259,221
Less allowance for inventory obsolescence	(468,790)	(468,790)	(375,000)	(375,000)
	16,222,031	19,585,776	6,928,953	6,884,221

The lower fish inventory balance as at 31 December 2012 was mainly due to the disposal of Kim Kang, coupled with lower quantity of Dragon Fish held in view of the declining selling prices. 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, the Group's trade payables and bills payable balances as at 31 December 2012 have decreased following the disposal of Kim Kang, in addition to the prompt settlement in order to secure better trade terms.

(viii) **Breeder stocks**

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	$	$	$	$
As at 1 January	992,534	1,283,395	400,390	426,195
Change in fair value less estimated point-of-sale costs	(83,040)	(107,597)	(83,040)	(121,945)
Decreases due to sales	(1,467,145)	(3,692,904)	(890,530)	(939,280)
Net increase due to births	1,347,517	3,509,640	770,902	1,035,420
Disposal of a subsidiary	(592,144)	-	-	-
As at 31 December	197,722	992,534	197,722	400,390

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 2012 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)

(ix) Trade receivables

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	$	$	$	$
Trade receivables	28,900,045	28,810,854	23,398,341	21,755,089
Less allowance for doubtful trade receivables	(2,135,131)	(1,661,636)	(1,913,823)	(1,627,723)
	26,764,914	27,149,218	21,484,518	20,127,366

After the exclusion of Kim Kang's trade receivables balances for both periods, there was an increase in gross trade receivables balance as at 31 December 2012, which was mainly due to higher credit sales generated in the 4th 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.

(x) Other receivables, deposits and prepayments

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	$	$	$	$
Other receivables	173,561	248,913	98,541	193,476
Long-term receivables - current portion (see (vi) above)	1,240,000	-	1,240,000	-
Deposits	298,206	352,836	84,560	75,940
Prepayments	561,287	594,198	307,820	205,789
Advances to suppliers	2,552,793	2,362,974	2,307,170	2,210,338
Deposits for purchase of property, plant and equipment	478,231	325,727	448,806	291,034
Tax recoverable	26,243	435,653	-	-
	5,330,321	4,320,301	4,486,897	2,976,577

The higher amount of other receivables, deposits and prepayments balances as at 31 December 2012 was mainly due to:-

- increase in long-term receivables, which consist of cash proceeds from the disposal of Kim Kang due from the purchasers amounting to $877,500 and advances due from Kim Kang of $362,500.
- increase in deposits for purchase of property, plant and equipment in relation to the on-going infrastructure construction work undertaken by our Singapore and 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.

(xi) Due from associate

The increase in amount due from associate as at 31 December 2012 was mainly due to higher trade activities with the associate during the 4th quarter of 2012.

Notes to Statements of Financial Position (cont'd)

(xii) 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 2012 are 5.25% (2011: 4.54%) and 5.25% (2011: 5.25%) respectively. These bills mature within one to four months from the reporting date.

(xiii) Other payables and accruals

	Group		Company	
	31 Dec 2012 $	31 Dec 2011 $	31 Dec 2012 $	31 Dec 2011 $
Accrued operating expenses	359,042	359,595	281,315	184,968
Accrued staff costs	1,657,606	1,852,908	1,285,877	1,474,390
Other payables	1,683,298	1,871,113	1,432,852	1,610,530
Advance received from customers	332,984	792,897	317,112	287,114
	4,032,930	4,876,513	3,317,156	3,557,002

The reduction of other payables and accruals as at 31 December 2012 was mainly due to lower amount of advance received from customers as a result of the exclusion of Kim Kang's balances following its disposal. In addition, the amount of provision made for bonus payment is lower in the current financial year, which is in line with the lower profit registered as compared to FY 2011.

(xiv) Finance lease liabilities

Group

	Payments $	Interest $	Principal $
31 Dec 2012			
Payable:			
After 1 year but within 5 years	283,185	(29,577)	253,608
Within 1 year	178,044	(20,543)	157,501
	461,229	(50,120)	411,109
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

Company

	Payments $	Interest $	Principal $
31 Dec 2012			
Payable:			
After 1 year but within 5 years	122,187	(15,379)	106,808
Within 1 year	78,788	(10,423)	68,365
	200,975	(25,802)	175,173
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

Notes to Statements of Financial Position (cont'd)

(xv) Bank term loans

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	$	$	$	$
Unsecured term loans				
- short-term	12,000,000	10,500,000	12,000,000	10,500,000
- long-term	-	777,363	-	-
	12,000,000	11,277,363	12,000,000	10,500,000

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2011 and 2012.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.23% to 1.50% (2011: 1.27% to 1.47%) per annum and are repayable within the next 12 months from the reporting date.

The unsecured long-term loans as at 31 December 2011 were loans taken by Kim Kang, which was disposed in September 2012. These loans bore interest at rates ranging from 7.6% to 8.1% per annum and were repayable within 3 to 5 years from the reporting date.

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

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1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2012	2011	2012	2011
	$	$	$	$
Cash flows from operating activities				
Profit (Loss) before tax	139,666	473,190	(8,683,411)	4,151,097
Adjustments for:				
Bad trade receivables				
- written off	29,790	4,067	33,346	4,579
- recovered	-	(100)	-	(5,225)
Depreciation of				
- property, plant and equipment	506,193	530,428	2,218,222	2,180,004
- brooder stocks	46,466	193,208	523,505	647,402
(Gain) Loss on disposal of				
- property, plant and equipment	(5,967)	(27,695)	(66,008)	(62,592)
- a subsidiary	-	(952,172)	9,061,610	(952,172)
Impairment loss on investment in an associate	(33,343)	-	221,779	-
Property, plant and equipment written off	8,021	3,063	11,852	7,148
Change in fair value less estimated point-of-sale costs of breeder stocks	75,500	107,597	83,040	107,597
Allowance for (Write back of allowance for)				
- doubtful trade receivables	149,758	105,083	475,179	428,890
- inventory obsolescence	(15,000)	-	-	115,000
Share of losses of associates	27,843	22,981	76,672	96,645
Interest expense	56,818	105,201	388,040	410,157
Interest income	(5,208)	(6,697)	(22,722)	(13,419)
Operating profit before working capital changes	980,537	558,154	4,321,104	7,115,111
(Increase) Decrease in:				
Inventories	1,069,967	986,531	885,261	(2,415,313)
Breeder stocks	(32,962)	183,264	119,628	183,264
Trade receivables	157,742	(1,116,756)	(651,222)	(184,518)
Other receivables, deposits and prepayments	625,215	(245,208)	238,677	(1,554,688)
Due from associate (trade)	(154,255)	(12,362)	(265,732)	(55,259)
Increase (Decrease) in:				
Trade payables	(1,525,222)	(564,845)	175,914	(1,446,250)
Bills payable to banks	(266,706)	(533,060)	209,739	(37,078)
Other payables and accruals	(17,597)	1,036,457	(537,270)	563,844
Cash generated from operating activities	836,719	292,175	4,496,099	2,169,113
Tax paid	(172,017)	193,012	(911,666)	(516,145)
Net cash from operating activities	664,702	485,187	3,584,433	1,652,968
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(404,135)	(444,065)	(1,497,461)	(1,632,687)
- brooder stocks	-	(338,966)	-	(338,966)
Proceeds from disposal of property, plant and equipment	5,920	342,208	111,033	382,980
Disposal of subsidiaries, net of cash and cash equivalents (Note ii)	-	(95,937)	(187,542)	(95,937)
Interest received	5,208	6,697	22,722	13,419
Net cash used in investing activities	(393,007)	(530,063)	(1,551,248)	(1,671,191)

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2012	2011	2012	2011
	$	$	$	$
Cash flows from financing activities				
Drawdown of bank term loans	-	-	1,500,000	200,000
Advances from minority shareholders of a subsidiary	29,484	-	169,484	-
Repayment of				
- finance lease liabilities	(43,285)	(44,858)	(189,809)	(185,027)
- bank term loans	(1,000,000)	(1,695,887)	(291,533)	(371,760)
Payment of dividends to				
- equity holders of the Company	-	-	(2,724,638)	(2,270,532)
- non-controlling shareholder of a subsidiary	(63,680)	-	(254,720)	(200,160)
Capital contribution from non-controlling shareholders	-	225,000	-	225,000
Interest paid	(57,028)	(104,687)	(387,160)	(409,884)
Net cash used in financing activities	(1,134,509)	(1,620,432)	(2,178,376)	(3,012,363)
Net decrease in cash and cash equivalents	(862,814)	(1,665,308)	(145,191)	(3,030,586)
Cash and cash equivalents at beginning of period/year	9,140,283	10,231,847	8,605,551	11,690,547
Effect of exchange rate changes on cash balances held in foreign currencies	(5,116)	39,012	(188,007)	(54,410)
Cash and cash equivalents at end of period/year (Note i)	8,272,353	8,605,551	8,272,353	8,605,551

Notes to Statement of Cash Flows

(i) Cash and cash equivalents

Cash and cash equivalents comprise:

	Group	
	31 Dec 2012	31 Dec 2011
	$	$
Fixed deposits	25,446	24,560
Cash and bank balances	8,246,907	8,580,991
	8,272,353	8,605,551

Fixed deposits bear average effective interest rate of 0.45% to 0.7% (2011: 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% (2011: 0% to 0.1%) per annum.

Notes to Statement of Cash Flows (cont'd)

(ii) **Disposal of subsidiaries**

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

	Group	
	Financial year ended 31 Dec	
	2012	2011
	$	$
Property, plant and equipment	5,108,219	108,236
Brooder stocks	25,002,496	-
Inventories	2,308,162	7,466,242
Breeder stocks	592,144	-
Trade receivables	896,749	1,615,294
Other receivables, deposits and prepayments	573,623	328,399
Due from		
- related companies	-	339,377
- associates	-	1,486,497
Cash and bank balances	187,542	108,937
Trade payables	(1,301,153)	(205,265)
Bills payable to banks (unsecured)	(3,483,600)	-
Other payables and accruals	(281,986)	(162,277)
Due to		
- holding company (Qian Hu Corporation Limited)	(2,363,340)	(12,075,476)
- related companies	(39,017)	-
- minority shareholders	(140,000)	-
Bank term loans	(470,588)	-
Deferred tax liabilities	(3,547,663)	-
Non-controlling interests	(8,064,554)	-
Net assets (liabilities) disposed	14,977,034	(990,036)
Realisation of reserves	1,569,820	-
(Loss) Gain on disposal of a subsidiary	(9,061,610)	952,172
Goodwill on consolidation	1,914,756	50,864
Total consideration	9,400,000	13,000
Less:		
Cash and bank balances disposed	(187,542)	(108,937)
Consideration in the form of brooder stocks	(5,500,000)	-
Deferred cash settlement	(3,900,000)	-
Net cash outflow from disposal of a subsidiary	(187,542)	(95,937)

During the financial year, the Company disposed of its entire equity interest in a subsidiary, Kim Kang, to its minority shareholders for a total consideration of $9.4 million. The loss on disposal of the subsidiary amounted to approximately $9.1 million.

In FY 2011, the Company disposed of its entire equity interest in another subsidiary, GZQH, to a non-related party for a 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 was approximately $0.95 million.

Notes to Statement of Cash Flows (cont'd)

(iii) Overall, our cash and cash equivalents decreased by approximately $0.9 million and $0.3 million from a quarter and a year ago respectively.

Despite registering losses for the financial year ended 31 December 2012, the improvement in the Group's **net cash from operating activities** as compared to its corresponding periods in 2011 was due to lower inventory held, notwithstanding that our trade receivables balances has 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.

During the current financial year, cash proceeds from bank 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**.

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

	Equity attributable to equity holders of the Company					
Group	**Share capital** $	**Accumulated profits** $	**Currency translation reserve** $	**Total** $	**Non-controlling interests** $	**Total Equity** $
Balance at 1 Jan 2011	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, recognised directly in equity						
Contributions by and distributions to owners						
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	-	(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
Total comprehensive income for the year						
Loss for the year	-	(9,136,582)	-	(9,136,582)	(23,437)	(9,160,019)
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(308,855)	(308,855)	(93,423)	(402,278)
Total other comprehensive income	-	-	(308,855)	(308,855)	(93,423)	(402,278)
Total comprehensive income for the year	-	(9,136,582)	(308,855)	(9,445,437)	(116,860)	(9,562,297)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
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	-	-	-	-	(254,720)	(254,720)
Total contributions by and distributions to owners	-	(2,724,638)	-	(2,724,638)	(254,720)	(2,979,358)
Changes in ownership interests in subsidiaries						
Disposal of a subsidiary	-	-	1,266,024	1,266,024	(8,228,138)	(6,962,114)
Total changes in ownership interests in subsidiaries	-	-	1,266,024	1,266,024	(8,228,138)	(6,962,114)
Total transactions with owners	-	(2,724,638)	1,266,024	(1,458,614)	(8,482,858)	(9,941,472)
Balance at 31 Dec 2012	30,772,788	22,343,652	(587,044)	52,529,396	1,590,439	54,119,835

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

Company	Share capital $	Accumulated profits $	Total $
Balance at 1 Jan 2011	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, recognised directly in equity			
Contributions by and distributions to owners			
Payment of first and final dividend	-	(2,270,532)	(2,270,532)
Total transactions with owners	-	(2,270,532)	(2,270,532)
Balance at 31 Dec 2011	30,772,788	16,355,718	47,128,506
Total comprehensive income for the year			
Profit for the year	-	847,764	847,764
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	847,764	847,764
Transactions with owners, recognised directly in equity			
Contributions by and distributions to owners			
Payment of first and final dividend	-	(2,724,638)	(2,724,638)
Total transactions with owners	-	(2,724,638)	(2,724,638)
Balance at 31 Dec 2012	30,772,788	14,478,844	45,251,632

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**

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**

There were no changes in accounting policies which has a financial effect on the results and financial position of the Group and of the Company for the current and the previous financial years.

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

	Group 3 months ended 31 Dec		Group Financial year ended 31 Dec	
	2012	2011	2012	2011
(Loss) Earnings Per Ordinary Share (based on consolidated net (loss) profit attributable to equity holders)				
- on weighted average number of ordinary shares on issue (cents)	(0.01)	0.19	(2.01)	0.76
- on a fully diluted basis (cents)	(0.01)	0.19	(2.01)	0.76

(Loss) 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 (2011: 454,106,350).

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

7 **NET ASSET VALUE PER SHARE**

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Net asset value per share based on existing issued share capital as at the respective dates (cents)	11.92	16.21	9.96	10.38

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

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

Financial year 2012 vs financial year 2011

	Group Financial year ended 31 Dec		Increase (Decrease)	
	2012	2011		
	$'000	$'000	$'000	%
Fish	36,280	42,713	(6,433)	(15.1)
Accessories	36,874	34,289	2,585	7.5
Plastics	11,289	11,339	(50)	(0.4)
	84,443	88,341	(3,898)	(4.4)

For the year ended 31 December 2012, our ornamental fish and accessories activities continued to be our core activities, which together accounted for approximately 87% of our total revenue. Our revenue decreased by $3.9 million or 4.4% from approximately $88.3 million for the year ended 31 December 2011 to $84.4 million for the year ended 31 December 2012.

On a geographical basis, revenue from Singapore and overseas dipped by 12.1% and 0.8% respectively in the FY 2012 as compared to FY 2011.

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

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

4Q 2012 vs 4Q 2011

	Group			
	4Q 2012 $'000	**4Q 2011 $'000**	**Increase (Decrease) $'000**	**%**
Fish	7,813	7,358	455	6.2
Accessories	9,218	9,144	74	0.8
Plastics	2,798	2,814	(16)	(0.6)
	19,829	19,316	513	2.7

Our total revenue increased marginally by approximately $0.5 million or 2.7% from $19.3 million in the 4th quarter of 2011 to $19.8 million in the 4th quarter of 2012.

Fish

Despite the reduction in revenue contribution following the disposal of our subsidiary, Kim Kang, in the 4th quarter of 2012, coupled with the tumbling selling prices of Dragon Fish as a result of the oversupply of Dragon Fish since the beginning of the year; with our enhanced marketing effort, we managed to sell more quantity of these fish during the 4th quarter of 2012 mainly to our Northeast Asian markets, especially China, where we have a robust market share, a widening distribution network and a strong brand identity.

In addition, 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 have given rise to the improved ornamental fish revenue in the current quarter as compared to its corresponding period in 2011.

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. During the 4th quarter of 2012, 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 $9.2 million in the current quarter for this business segment, which is comparable to that of the corresponding period in 2011.

Plastics

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

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

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

4Q 2012 vs 3Q 2012

	Group		Increase (Decrease)	
	4Q 2012 $'000	3Q 2012 $'000	$'000	%
Fish	7,813	8,797	(984)	(11.2)
Accessories	9,218	10,123	(905)	(8.9)
Plastics	2,798	2,766	32	1.2
	19,829	21,686	(1,857)	(8.6)

Our revenue decreased by $1.9 million or 8.6% from $21.7 million in the 3rd quarter of 2012 to $19.8 million in the 4th quarter of 2012 mainly due to the reduction in both ornamental fish and accessories revenue registered during the current quarter as compared to the previous quarter.

Fish
During the current quarter, notwithstanding the improvement in Dragon Fish revenue contribution generated from the China market, as well as higher ornamental fish export sales from Singapore, Malaysia and Thailand, the reduction in revenue contribution from our former subsidiary, Kim Kang, following its disposal, has resulted in the reduction in overall revenue contribution from our ornamental fish segment as compared to the previous quarter.

Accessories
The dip in revenue from our accessories business on a quarter-on-quarter basis was mainly as a result of difference in sales mix, as well as our conscientious efforts made to focus on the selling of our proprietary brand of innovative products with better margins.

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

(b) **Profitability**

Financial year 2012 vs financial year 2011

	Group Financial year ended 31 Dec		Increase (Decrease)	
	2012 $'000	2011 $'000	$'000	%
Fish	254	2,945	(2,691)	(91.4)
Accessories	1,717	1,647	70	4.3
Plastics	939	953	(14)	(1.5)
Unallocated corporate expenses	(2,309)	(2,346)	37	1.6
	601	3,199	(2,598)	(81.2)
(Loss) Gain on disposal of a subsidiary	(9,062)	952	(10,014)	
Impairment loss on investment in an associate	(222)	-	(222)	
	(8,683)	4,151	(12,834)	(309.2)

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

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

Financial year 2012 vs financial year 2011 (cont'd)

With the lower revenue contribution registered, our operating profit before taxation decreased by approximately $2.6 million or 81.2% from approximately $3.2 million in FY 2011 to $0.6 million in FY 2012. Loss after taxation attributable to equity holders amounting to approximately $9.1 million in FY 2012 was mainly due to the significant reduction in profit contribution from our ornamental fish business, coupled with a one-off investment loss as a result of the divestment in a subsidiary as well as impairment loss incurred in relation to the investment in an associate.

4Q 2012 vs 4Q 2011

	Group		Increase (Decrease)	
	4Q 2012 $'000	4Q 2011 $'000	$'000	%
Fish	106	(240)	346	144.2
Accessories	375	171	204	119.3
Plastics	236	216	20	9.3
Unallocated corporate expenses	(577)	(626)	49	7.8
	140	(479)	619	129.2
Gain on disposal of a subsidiary	-	952	(952)	(100.0)
	140	473	(333)	(70.4)

In line with the improvement in revenue contribution from our business activities in the 4th quarter of 2012, our operating profit increase by approximately $0.6 million as compared to its corresponding period in 2011.

Fish
During the 4th quarter of 2012, following the disposal of the loss-making subsidiary, Kim Kang, coupled with the higher revenue registered as mentioned earlier, our ornamental fish business managed to turnaround with profit contribution in the current quarter as compared to its corresponding period in 2011.

Accessories
Our reliant accessories export business continued to turn in healthy revenue with respectable profit margins in the 4th quarter of 2012 as compared to the 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.

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

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

4Q 2012 vs 3Q 2012

	Group		Increase	
	4Q 2012 $'000	3Q 2012 $'000	$'000	%
Fish	106	(626)	732	116.9
Accessories	375	291	84	28.9
Plastics	236	222	14	6.3
Unallocated corporate expenses	(577)	(602)	25	4.2
	140	(715)	855	119.6

Fish
As mentioned earlier, with the disposal of the loss-making subsidiary, Kim Kang, in the 4th quarter of 2012, our ornamental fish segment managed to turnaround with profit contribution in the current quarter. In addition, the difference in sales mix recorded in both quarters, coupled with the improved revenue contributions from our overseas markets and export business has further lifted the profitability of the ornamental fish business during the current quarter as compared to the previous quarter.

Accessories
Despite the lower revenue contributions in the current quarter, the difference in sales mix, as well as our conscientious efforts made to capture more market through the selling of our proprietary brand of innovative products with better margins, has enhanced the profitability of our accessories business for the current quarter as compared to the previous quarter.

Plastics
The increase in operating profit from our plastic activities was in accordance with the steady increase in revenue contribution and the better margin yielded.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

PROSPECTS FOR FY 2013

In FY 2013, 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, Indonesia 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. 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.

10 **PROSPECTS**

PROSPECTS FOR FY 2013 (cont'd)

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. In fact, our LumiQ series of new generation fish tanks, with in-build docking stations and passive speaker systems, has won the Best New Products Award at the Australia Pet Expo held in October 2012.

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 high premium Dragon Fish in Singapore 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 300 locations to approximately 350 locations by end of Year 2013. Our joint venture in India will also enable us to expedite our penetration into the India market.

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, the Group will continue to grow its revenue and be profitable in the Year 2013.

10 **PROSPECTS (cont'd)**

OUR LONG-TERM PROSPECTS

To be the world's Number 1 ornamental fish exporter

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

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

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 2012, the percentage of our ornamental fish and aquarium and pet accessories revenue was approximately 43% and 44% 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 300 distribution points across China distributing our Dragon Fish and aquarium accessories as at 31 December 2012, 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 manufacture 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.

10 **PROSPECTS (cont'd)**

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 Year 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:-

(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 focused 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.

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 2012, approximately 22% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 71% of the total revenue in FY 2012. 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.

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

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 15% of our Group total revenue for the year ended 31 December 2012, 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.

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.

Climate change & Environmental risk

Climate change and environmental risk is a growing concern especially in the last few years. The recent spate of natural disasters and continuing threat of future occurrences have prompted companies, Qian Hu alike, to embark on strategic reviews on key areas such as infrastructure and logistics, to minimise the business impact of untoward events. Our Group will also explore the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species, to mitigate and manage risks related to adverse weather conditions, and to ensure consistent supply of these fish species.

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.

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

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.

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	0.2 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	0.6 cents per ordinary share
Tax rate	Nil	One-tier tax exempt

12 **DIVIDEND (cont'd)**

(c) **Total annual dividend**

	Latest year ($'000)	Previous year ($'000)
Ordinary	908	2,725
Preference	-	-
Total:	908	2,725

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 15 March 2013, the dividends will be paid on 12 April 2013.

(e) **Books closure date**

Registrable Transfers received by the Company's Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, up to 5:00 pm on 1 April 2013 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 2 April 2013 for the preparation of dividend warrants.

In addition, in connection with the disposal of Kim Kang, the Directors has recommended the payment of a special dividend of 0.5 Singapore cents per ordinary share (one-tier tax exempt) in October 2013, amounting to a cash payout of approximately $2.3 million.

13 **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 2012 $	31 Dec 2011 $	31 Dec 2012 $	31 Dec 2011 $
Rental paid to a non-controlling shareholder of a subsidary	14,240	34,860	-	-
Fees paid to a company in which a director has an interest	14,500	19,200	14,500	19,200
Guarantee fee paid to a major shareholder of the Company *	50,000	-	50,000	-
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	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.*

13 **INTERESTED PERSON TRANSACTIONS (cont'd)**

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 2012.

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 2012				
Revenue					
External revenue	36,280	36,874	11,289	-	84,443
Inter-segment revenue	2,166	8,227	138	(10,531)	-
Total Revenue	38,446	45,101	11,427	(10,531)	84,443
Results					
EBITDA *	2,267	2,631	1,027	(2,140)	3,785
Depreciation and amortisation	(1,866)	(789)	(87)	-	(2,742)
Interest expense	(167)	(51)	(1)	(169)	(388)
Interest income	20	3	-	-	23
	254	1,794	939	(2,309)	678
Loss on disposal of a subsidiary	(9,062)	-	-	-	(9,062)
Impairment loss	-	(222)	-	-	(222)
Share of losses of associates	-	(77)	-	-	(77)
(Loss) Profit before tax	(8,808)	1,495	939	(2,309)	(8,683)
Tax expense	(129)	(208)	(140)	-	(477)
(Loss) Profit for the year	(8,937)	1,287	799	(2,309)	(9,160)
Net profit margin *(excluded the gain or loss on disposal of subisidiary and impairment loss on investment in an associate)*	**0.3%**	**4.1%**	**7.1%**		**0.1%**
Assets and Liabilities					
Segment assets	30,857	38,463	3,613	5,009	77,942
Investments in associates	-	708	-	-	708
Segment liabilities	4,396	5,363	1,665	12,398	23,822
Other Segment Information					
Expenditures for non-current assets **	1,103	495	35	-	1,633
Other non-cash items:					
Bad trade receivables written off	33	-	-	-	33
Gain on disposal of property, plant and equipment	(38)	(28)	-	-	(66)
Property, plant and equipment written off	2	9	1	-	12
Allowance for doubtful trade receivables	239	236	-	-	475
Change in fair value less estimated point-of-sale costs	83	-	-	-	83

* *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 2011				
Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Others** $'000	**Total** $'000
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	2,598	1,055	(2,211)	6,520
Depreciation and amortisation	(1,919)	(808)	(100)	-	(2,827)
Interest expense	(224)	(49)	(2)	(135)	(410)
Interest income	10	3	-	-	13
	2,945	1,744	953	(2,346)	3,296
Gain on disposal of subsidiary	-	952	-	-	952
Share of losses of associates	-	(97)	-	-	(97)
Profit before tax	2,945	2,599	953	(2,346)	4,151
Tax expense	(231)	(183)	(136)	-	(550)
Profit for the year	2,714	2,416	817	(2,346)	3,601
Net profit margin	**6.4%**	**4.3%**	**7.2%**		**3.0%**
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 equipment	(31)	(10)	(22)	-	(63)
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

(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).

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

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

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.

	Revenue		Segment non-current assets		Segment assets	
	Financial year ended 31 Dec		Financial year ended 31 Dec		Financial year ended 31 Dec	
	2012	2011	2012	2011	2012	2011
Group	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	24,689	28,088	18,190	9,188	61,187	47,282
Other Asian countries	42,214	41,416	2,225	35,349	16,342	57,970
Europe	8,718	9,350	413	693	413	693
Others	8,822	9,487	-	-	-	-
Total	84,443	88,341	20,828	45,230	77,942	105,945

(c) **Major customers**

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

15 **BREAKDOWN OF REVENUE**

Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Total** $'000
4Q 2012				
Singapore (including domestic sales & sales to Singapore)	1,122	1,974	2,785	5,881
Overseas (including export to & sales in overseas)	6,691	7,244	13	13,948
Total revenue	7,813	9,218	2,798	19,829
4Q 2011				
Singapore	1,988	1,947	2,759	6,694
Overseas	5,370	7,197	55	12,622
Total revenue	7,358	9,144	2,814	19,316
Financial year ended 31 Dec 2012				
Singapore (including domestic sales & sales to Singapore)	5,685	8,064	10,940	24,689
Overseas (including export to & sales in overseas)	30,595	28,810	349	59,754
Total revenue	36,280	36,874	11,289	84,443
Financial year ended 31 Dec 2011				
Singapore	9,340	7,622	11,126	28,088
Overseas	33,373	26,667	213	60,253
Total revenue	42,713	34,289	11,339	88,341

16 **QUARTERLY ANALYSIS**

	2012 $'000	2011 $'000	Increase (Decrease) %
Revenue			
1st Quarter	20,574	24,154	(14.8)
2nd Quarter	22,354	23,349	(4.3)
3rd Quarter	21,686	21,522	0.8
4th Quarter	19,829	19,316	2.7
	84,443	88,341	(4.4)
Profit before tax			
1st Quarter	592	1,436	(58.8)
2nd Quarter	617	1,365	(54.8)
3rd Quarter	(10,032)	877	(1,243.9)
4th Quarter	140	473	(70.4)
	(8,683)	4,151	(309.2)
Profit after tax and minority interests			
1st Quarter	523	1,008	(48.1)
2nd Quarter	532	998	(46.7)
3rd Quarter	(10,143)	574	(1,867.1)
4th Quarter	(49)	886	(105.5)
	(9,137)	3,466	(363.6)

- **Revenue**

The overall reduction in the revenue during the financial year was mainly due to a significant decrease in our revenue from Dragon Fish sales as a result of the intense price competition caused by the oversupply of Dragon Fish. 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, which has affected our overall ornamental fish revenue contribution. With the shift of the value chain of Dragon Fish from breeders to distributors, we have since focused to sell more quantity of these fish from the 2nd half of the financial year mainly to our Northeast Asian markets, especially China, to circumvent the depleting revenue generated from the ornamental fish business.

The above reduction was partially offset by the higher revenue generated from our accessories export sales. With our accessories business being more export-oriented, we managed to leverage on our Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. Our subsidiaries in Malaysia, Thailand and China also managed to continue expanding their distribution network in those countries to capture more sales.

- **Profitability**

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

- Significant reduction in our revenue contribution from the ornamental fish business as a result of the deteriorating selling prices and eroded margins as mentioned above, its operating profit plunge accordingly.
- Loss on disposal of a subsidiary of approximately $9.1 million arises from the disposal of the Group's entire equity interest in the loss-making subsidiary, Kim Kang, in the 2nd half of 2012.

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	52	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	47	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) - P.T. Qian Hu Joe Aquatic Indonesia (in 2012) **Duties :** Oversees the business operations and business development of Thai Qian Hu Company Limited, Qian Hu Marketing Co Ltd & P.T. Qian Hu Joe Aquatic Indonesia	Appointed Managing Director of P.T. Qian Hu Joe Aquatic Indonesia in 2012
Lee Kim Hwat	58	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

17 **PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO THE DIRECTORS, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDERS (cont'd)**

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 2013

KPMG

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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 2012, the income statements and statements of comprehensive income and statements of 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 FS56.

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, statement of comprehensive income and statement of 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 2012 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.

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Public Accountants and
Certified Public Accountants

Singapore
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