



The Next Lap

QIAN HU CORPORATION LIMITED
ANNUAL REPORT 2011



Sustainability Report

At Qian Hu, we believe that growth and progress should not be at the expense of environmental and social well-being, that economic interests can be aligned with environmental-social objectives to build successful businesses which are sustainable for our future generations.

Companies all over the world, and their stakeholders, are increasingly aware of the need to manage not only corporate and financial performance, but also the social and environmental impact of their businesses. In essence, the focus is on creating a sustainable business strategy that is compatible with profitability. Beyond the financial numbers, sustainable companies look at a wider spectrum of business factors including for example, efficiency in the use of natural resources such as water and energy, continuous innovation to develop socially responsible and quality products that minimise wastage, employee engagement and development and adopting a code of ethics to guide business practices and employee conduct. This section reflects Qian Hu's focus areas on sustainability vis-à-vis our business, our approach and future plans on managing some of these issues. We hope that this will provide investors and stakeholders with a more comprehensive understanding of our business, and a basis for a more holistic assessment of our performance.

This year Qian Hu published its maiden Sustainability Report, which is our first step towards achieving our long term vision on sustainability. We aim to align our business interests with that of our stakeholders. More importantly, we aspire to be an organisation with a heart – one that is continually aware of the impact that our business activities or actions may have on the environment and communities that we operate in, one that recognises the importance of healthy ecosystems and social equity. We continually instil these fundamental principles in our people, believing that our commitment and involvement in corporate social responsibility will see us through the long haul.

The following sustainability issues rank highly on the priorities of the Group and our stakeholders:

EMPLOYEE RELATIONS

As at 31 December 2011, the Group has 550 employees of which 144 are based at our headquarters in Singapore, while 406 are from our overseas subsidiaries – in Malaysia, Thailand, China and Indonesia. Qian Hu being in the services industry, our people are indeed our biggest asset, and pivotal to our continued sustainability as a global leader in ornamental fish breeding and distribution. We believe in engaging and developing our staff to their fullest potential, and nurturing a motivated and competent workforce who will spearhead the Group's growth.

Winner of Singapore's coveted People Developer Standard Award in 2006 and the People Excellence Award in 2009, Qian Hu remains fully committed to developing excellence in its people, and maintaining a high standard of Human Resource management.

We believe that our track record of staff retention is attributable to our "People First" corporate culture which seeks to integrate everyone into the extended Qian Hu family. Of our total workforce, 13% have been with the Group for more than 10 years and 25% for between 5 to 10 years.

Sustainability Report (cont'd)

Staff Dialogue

Our staff are kept informed of the Group's developments through our bi-annual in-house newsletter "FISH MATRIX", disseminated in hard copies and also made available on our website. For important and inspiring messages to staff, respective divisional senior managers will convey them during regular meetings.

We take a holistic view on staff performance evaluations and appraisal tools are used to assess the effectiveness of senior managers as well as employees. In addition, our employees are strongly encouraged to fill out a survey to provide feedback concerning the leadership of senior managers. Assessing the performance of the organisation helps to promote stronger working relationships across all levels. Over the years, more than 90% of our employees have participated in the surveys. Our Employee Engagement Index has also been above 3.6.

Health and Safety at Work

Workplace safety is a priority at Qian Hu. Staff are constantly reminded, through verbal and visual reinforcements, on the importance of safety above all. In 2011, only two minor work-related incidents were reported, both of which were minor cuts to the hands when handling fish tanks. In 2010, four work-related injuries were reported – again small cuts, grazes and sprain.

We regularly send staff for related certified training in workplace safety and first aid. As our fish farm is open to the general public, we also have a defibrillator machine in the public area to aid in any medical emergency.

Our Human Resource department tracks and reports on industrial accidents/injuries, and if required, claims will be filed accordingly. Department heads, supervisors and staff were briefed to directly inform the Human Resource department on all accidents/injuries, including minor cuts.

Development and Training in the Workplace

Our training budget is pegged at about 2% of our total payroll, and each staff spends approximately 50 hours on average in training for 2011. Apart from on the job training, staff were sent for training on workplace safety, supervisory skills, problem solving and language enhancement courses. In fact, Qian Hu's training intensity as defined by the Ministry of Manpower (MOM) and participation rates, have been comparable and better in most categories than the national averages for past years.

Diversity and Equal Opportunity

As a corporation with a heart, Qian Hu is committed to respecting diversity. We treat all employees with respect, dignity and fair treatment, irrespective of nationality, race or religion. A structured process is also in place to address staff grievance, and which anonymity is allowed to encourage feedback.

We abide by labour laws and adopted appropriate guidelines that promote Fair Employment practices as a reflection of our fundamental principles and employee rights at work, for example, recruiting employees based on (i) competencies, merit and appropriate fit within the organisation; (ii) regardless of age, race, gender, religion or physical disabilities in relation to the job requirement, and providing equal opportunity for training and development. Qian Hu also participated in the Yellow Ribbon Project, a program that "seeks to engage the community in giving ex-offenders a second chance at life and to inspire a ripple effect of concerted community action to support ex-offenders and their families". Performance recognition at Qian Hu, has always been, and will continue to be, based on merit – it is our Company policy that family members will not be given any special preference.

ETHICS AND INTEGRITY

We have established a Code of Conduct and Business Ethics that sets the principles of our conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc. Directors, key executives and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and the law and regulations of the countries in which it operates. A whistle-blowing mechanism was also established to aide in the deterrence and reporting of corporate misconducts.

We do not engage in child labour or take unethical means, directly or indirectly to manufacture or provide business services in our business endeavors. Indirectly means we do not engage in business with partners, suppliers or third party manufacturer that are known to use unethical means in their business processes.

ENVIRONMENT MANAGEMENT

Preserving the environment is necessary for the long-term sustainability of our business, the coexistence of which is intertwined. While creating value in our business, we aim to minimise the impact that our activities have on the environment and proactively seek alternative means for more effective and sustainable use of resources. Since 1998, Qian Hu has been complying with the regulatory requirements of the

ISO14001-certified Environmental Management System where we strive to preserve and recycle our natural and reusable resources in our daily activities of fish breeding, nurturing, retailing, trading and export.

At Qian Hu, we aim to align our economic interests with environmental concerns and this is especially relevant for businesses like Qian Hu where we have products that come from nature and the processes we carry out do impact the environment. We are mindful that we will not be able to carry out some of our core business activities without the natural resources around us, and our priority is to help preserve this environment. It is with this in mind that we have developed **Qian Hu's Environment Policy** to minimise the environmental impacts of our operations, to which we are committed to:

- Comply with all applicable laws, regulations and standards. We will also strive to collaborate with relevant authorities and with other companies of the sector to develop standards and practical guides aimed at protecting natural resources, and the environment.
- Undertake programs of continual improvements and prevention of pollution.
- Reduce the use of environmentally unfriendly packing materials and strive to develop alternatives through new technologies which are available.
- Reduce resource consumption and waste generation.
- Provide the necessary training and support to staff to ensure that they are able to fulfill these commitments.
- Undertake reviews to ensure compliance with this policy.



Sustainability Report (cont'd)

Water and Energy Management

Water is vital for our fish farm operations and it has always been our key focus area to reduce and reuse. Today, over 90% of our water consumption is channelled from our in-house rainwater catchment areas built within the farm. We are also mindful of our energy consumption and besides tracking and implementing measures to reduce and promote the reduction of energy consumption, we have also switched to alternative sources of energy through the use of solar panels in one of our subsidiaries.

Biodiversity

Not neglecting the plight of endangered wildlife, in particular the Asian Arowana, Qian Hu's entire operations are compliant with the standards set out by the United Nations' Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Since 2008, Qian Hu has spearheaded leading-edge research into the breeding behavior of the Asian Arowana. We have since entered into our second phase of intensive research with Temasek Life Sciences Laboratory. With a better understanding of the behavior of this endangered, pre-historic fish, Qian Hu is able to contribute towards sustaining biodiversity through improving the quality and quantity of future generations of the Dragon Fish.

Recycling and Waste Management

By the third quarter of 2011, through a waste management program which we have put in place to track waste and recycling, we effectively reduced paper consumption in our operations by 30%. Building on that success, we extended our program and redirected our efforts to monitoring waste water discharge as well as other aspects of managing waste in our daily operational activities. We are confident that we will achieve similar positive results.

Since FY 2007, Qian Hu's Annual Reports have been printed using either recycled or environmentally friendly paper.

Other Green Initiatives

Going forward, Qian Hu has plans in the pipeline to continuously source for and engage in green initiatives which are practicable and relevant to Qian Hu, such as Project Eco-Office which helps offices implement effective environmentally-friendly practices, as well as various other schemes administered by regulatory authorities such as the National Environment Agency, Building and Construction Authority, Economic Development Board and Public Utilities Board.





COMMUNITY INVOLVEMENT AND DEVELOPMENT

Qian Hu's Community Engagement Policy is based on 3Cs – Charity, Community and Commitment. We proactively seek opportunities to participate in initiatives to promote philanthropy, business and entrepreneurship in our community. We also believe that by integrating social responsibility throughout an organisation and getting our Qian Hu Family to work cohesively together on these initiatives, we bring benefits not only to the community but also to ourselves as the same spirit of commitment and working together for the common good and a common cause is crucial in a workforce that is to spearhead the future growth of Qian Hu.

- The Group's senior management takes the lead by pledging higher donations and progressively committing more time for charity activities. Since 2001, the Group has a dollar-for-dollar donation program – Qian Hu matches every dollar that staff donates and these are then donated to specific charities.
- Over the years, Qian Hu's contribution to charities averaged 1.43% of the Group's profit before tax which is well above Singapore's national average of 0.23%.
- Qian Hu organises annual exhibitions at popular shopping malls and conducts free farm visits for the less privileged children and handicapped welfare groups.
- Through its subsidiary in Malaysia, the Group donates dog food to animal shelters. Qian Hu also donates fish to schools and helps to increase stocks in our reservoirs.
- Our Executive Chairman and Managing Director, Mr Kenny Yap and some senior management staff participate in various committees and public speaking engagements. Some of our involvements in associations, governance bodies, projects, committees and initiatives for the promotion of various aspects of our society include:
 - Ornamental fish cluster committee (AVA)
 - Action Community for Entrepreneurship (ACE)
 - NUS Entrepreneurship Advisory Committee
 - Singapore Quality Award Advisory Council
 - Young Leaders selection panel
 - Corporate Governance Council
 - Ornamental Fish International Community Project (Something Fishy)
 - Singapore Quality Award Management Committee
 - Institute of Certified Public Accountants of Singapore CFO Committee
- Qian Hu also offers internships to the Teachers' Network, various polytechnics and the Institute of Technical Education (ITE).
- Qian Hu is accredited with the "Businesses for Families" mark, an initiative launched by The Businesses for Families Council which aims to make Singapore a country of choice for families, by encouraging businesses to be family-friendly through adoption of strategies, provision of services and implementation of infrastructure that cater to and benefit families.

Sustainability Report (cont'd)

PRODUCT RESPONSIBILITY

Recognising that our long-term survivability is in part dependent on having products that are able to meet the changing requirements of the market, Qian Hu has and will continue to focus on investing in Research and Development. Of equal importance are our commitment to develop socially responsible products which are not hazardous to the environment nor jeopardise the health and safety of our consumers, and our stance that product development should be a disciplined process - that consumer requirements need to be clearly and fully understood in order to develop and bring to market quality and viable products that consumers will actually buy and continue to use over a period of time. We are aware of our responsibilities towards sustainable consumption and will approach this - firstly through our efforts on innovation and quality products, and going forward, through the use of awareness-raising events to enable and encourage consumers to choose and use products more efficiently and sustainably.

Quality Management

As a distributor of ornamental fish, Qian Hu ensures a high level of service to its customers who are largely importers and retailers in their respective countries. To this group of customers, on-time delivery, which is usually via airfreight, is very important. Equally important is our ability to ensure as many of the fish exported make it through the journey healthy and alive. Over the years, our target has been to ensure that at least 97% of our fish exports reach their destinations alive.

To assess our quality improvement efforts, we also conduct qualitative studies on major fish exporters and pet chain stores across the country, as well as in-depth interviews with our key customers and business partners on an annual basis.

In line with **Qian Hu's Quality Policy**, we are committed to:

- Monitoring our ability to meet customers' expectations.
- Being competitive in pricing.
- Delivering our products and services on-time.
- Training our employees to achieve quality improvement.
- Complying with and improving our ISO9001:2008 Quality Management System.





Innovation

Capitalising on the experience of internal resources and leveraging on relevant external expertise and technology, we are able to achieve a multiplier effect in our efforts on Research & Development. Our Research & Development division, headed by Dr. Alex Chang, has successfully launched new products which are well-received in the market. Some of our products launched and others in the pipeline are as follows:

- Using LED technology in our aquarium lighting products to enhance the appearance of ornamental fish.
- Nano size aquarium tanks to cater for the new emerging market.
- Hydra series of water filtration devices that uses state of the art technology - Hydropure (patent pending).
- Dragon Fish tank which will bring together several of our innovative technologies (including a bio-magnetic system that emulates the natural habitat of the Dragon Fish) to revolutionise the breeding of Dragon Fish in fish tank condition.
- Formulation of novel ornamental fish feed.

It is in Qian Hu's culture to promote an innovative spirit within the organisation. Supervisors and managers throughout the Group encourage all staff to suggest new ideas and changes for improvement. Staff are also incentivised through monetary rewards and innovation awards for contributing good and implementable ideas, and their efforts will also be recognised in the annual staff performance review. Nurturing a culture of innovation within the Group also means having tolerance for honest mistakes and this is openly communicated to all staff. We also adopt the principle of *Creating Value from Mistakes* which encourages staff to share and learn from their mistakes. Since 2007, Qian Hu tracks staff feedback on supportive culture of innovation in the Group through our annual Employee Opinion Survey from which an Innovation Index is derived based on the average mean score of related questions. We have consistently achieved high scores in the past four years, reflecting the concurrence of our staff on our efforts to promote innovation.