

**QIAN HU CORPORATION LIMITED**  
(Incorporated in the Republic of Singapore)

**Minutes of the Fifth Annual General Meeting of the Company held at No. 71 Jalan Lekar, Singapore 698950 on Wednesday, 10 March 2004 at 11.00 a.m.**

**Present**

- |   |  |
|---|--|
| 1. Mr Kenny Yap Kim Lee<br>(i) Executive Chairman & Managing Director<br>(ii) Shareholder<br>(iii) Proxy for: - <ul style="list-style-type: none"><li>- Raffles Nominees (Pte) Ltd</li><li>- Yap Ping Heng</li><li>- Yap Kim Chuan</li><li>- Yap Kim Choon</li><li>- Yap Hock Huat</li><li>- Gerard Charles Holland Oates</li></ul> | 8. Ms Yap Saw Chin<br>Shareholder                              |
| 2. Mr Alvin Yap Ah Seng (Director)<br>Shareholder   | 9. Ms Yap Ai Tin<br>Shareholder                                |
| 3. Mr Andy Yap Ah Siong (Director)<br>Shareholder   | 10. Mr Tan Tok Jin<br>Shareholder                              |
| 4. Mr Robson Lee Teck Leng (Director)<br>Shareholder  | 11. Mr Chiang Yew Kwong<br>Shareholder                         |
| 5. Mr Chang Weng Leong (Director)<br>Shareholder  | 12. Mr Tan Siew Huat<br>Shareholder                            |
| 6. Mr Tan Tow Ee (Director)<br>Shareholder  | 13. Mr Ee Guan Soon<br>Shareholder                             |
| 7. Ms Lai Chin Yee (Company Secretary)<br>Shareholder   | 14. Mr Quek Nam Kee<br>Shareholder                             |
|   | 15. Ms Lim Yue Li<br>Proxy to Mr Neo Tiong Guan                |
|   | 16. Ms Low Gim Lian<br>Proxy to Mr Sivadas s/o Sankaran        |
|   | 17. Ms Tan May<br>Proxy to Citibank Nominees Singapore Pte Ltd |

<b>In Attendance</b>	<b>Observers</b>
1. Mr Steven Phan Swee Kim Ernst & Young	1. Mr Alick Lee
2. Mr Frederick Hoo Ernst & Young	2. Mr Wee Teck Han
3. Mr Iskander Namazie M & C Services Private Limited	3. Mr Lerry Tan
4. Ms Amelia Wong M & C Services Private Limited	4. Mr Don Toh
5. Sharon Yeoh M & C Services Private Limited	5. Ms Christina Ng
	6. Mr Tan Huang Tsin

The Chairman of the Board of Directors, Mr Yap Kim Lee Kenny chaired the meeting. Having noted that a quorum was present, the meeting was called to order.

Chairman thanked the shareholders and all those present for their attendance. Before proceeding to the formal business of the Annual General Meeting (“AGM”), he took the opportunity to brief the meeting the following:

Due to the early arrival of Chinese New Year this year, the Company released its full year audited results on 12 January 2004. Its annual reports were despatched to all the shareholders and SGX on 23 February 2004, which was one of the earliest Annual Reports released this year. Due to the short time frame, there was not enough time for the Company to arrange transportation for shareholders to attend this AGM held at the Qian Hu fish farm. Based on subsequent enquires and feedback received from the shareholders, the Company will arrange for transportation from the nearest MRT station to the fish farm for its shareholders to attend the next AGM.

Chairman added that the Company will be receiving a Merit Award for its 2002 Annual Report at the 30<sup>th</sup> Annual Report Award 2003 presentation to be held the following day (11 March 2004). It is the Company’s commitment to always run a well-balanced and prudently managed company and consistently strive for transparency.

With the permission of the meeting, the notice convening the meeting was taken as read.

## **ORDINARY BUSINESS**

### **1. Adoption of Reports and Financial Statements**

Chairman invited questions from the shareholders on the Reports and Financial Statements FY 2003.

This is the second year that the Company had included a letter to all shareholders along with its Annual Report to invite questions and feedback from shareholders who would not be able to attend the AGM for some reasons or other. Shareholders could channel their questions and feedback via a few methods, through online feedback at [www.qianhu.com](http://www.qianhu.com), by calling the automated voice mail number 6334 5268, by sending e-mail to [investor@qianhu.com](mailto:investor@qianhu.com) or by faxing to fax number 6766 3995 for replying at the AGM. Last year, there were several questions posted by shareholders. This year, there was only one question received from Mr Kevin Yeo, who posted the following question through the Qian Hu website:

***“Question:***

Just curious, why not marine fish?”

Chairman replied that of the various types of ornamental fish, 95% was fresh water fish and only 5% was marine fish. With such a small market, it did not make sense for the Company to invest in facilities to cater for the sales of marine fish. However, in order to meet some of our customers’ requirements, the Company has made arrangements with local marine fish exporters, who would supply the Company with marine fish to fulfill orders received from its customers.

A shareholder present, Mr Tan Tok Jin, asked whether the Company would be competing with its distributors if it were to sell its products directly in its retail chain stores, “Qian Hu – The Pet Family”.

Chairman explained that the role of the Group as a wholesaler of ornamental fish and aquariums & pets accessories would diminish over time. In order to increase its sustainability, the Group would need to move forward its supply chain and be a front-end distributor eventually. No doubt, there will be conflict of interest when the Group starts its retail chain stores in certain locations. However, in a big city like Bangkok, where the Group's market share is not significant, it could run retail chain stores in Bangkok as well as wholesale its products to Chiangmai, Hatyai, etc. On the other hand, in Singapore, in view of the larger market presence, there would be a conflict of interest if Qian Hu would to set up retail stores here. As such, the Group had decided that it would not be looking at opening up any retail chain stores locally at this moment, so as to eliminate these immediate concerns.

Mr Tan Tok Jin further asked whether the Chairman had reduced his salary and if so, whether the Company was exploring variable wage structure as suggested by the Government recently.

Chairman clarified that there had been no change in his salary as compared to the previous year. However, in FY 2003, although the executive directors were entitled to performance bonus payout under their respective service contracts, in view of the limited growth achieved by the Group, the 3 executive directors had agreed to give up their bonus entitlement. He also pointed out that as the Group's growth in FY 2003 came mainly from overseas and with the lower growth in Singapore, the senior management in Singapore had to lead by example to curb the increase in staff costs so as to contain its operating costs in Singapore. He added that the Group's HR practice is in the process of reviewing the feasibility of implementing a variable wage structure in the various entities within the Group.

Mr Tan then complimented the Group for its generosity in its bonus issue this year and almost every year. He commented about the cost involved in the bonus issue exercise and that the enlarged share capital would dilute the earnings per share, which would not help in increasing the share price of the Company. He suggested that the Group should consider having bonus issue less frequently and instead, accumulating its reserves to declare a better bonus issue of say, 2 for 5 in one go, so as to save cost and lessen the impact on its share price.

Chairman clarified that Qian Hu had, so far, proposed 2 bonus issues in January 2002 and January 2004. The cost involved in each of these bonus issues exercise was not substantial and therefore should not be an issue.

Chairman further explained that the bonus issue served to improve the liquidity and marketability of the ordinary shares of the Company by increasing the number of shares in issue that are available for trading in the market. In addition, as Qian Hu is a growing company, cash is needed for its expansion and it could not afford to set aside substantial amount of fund for dividend payment, which was the reason for the Company not having a concrete dividend policy at present. The recommended dividend took into consideration the Group's profit growth, cash position, positive cashflow generated from operations, tax credit balances and the projected capital requirements for business expansion. On the other hand, the Company would like to express appreciation to its loyal shareholders for their continuing support for the Company, as such, the directors tried to strike a balance and proposed a bonus issue of 1 bonus share for every 5 existing shares held in the Company, together with a first and final dividend of 0.6 cents per ordinary share less tax for FY 2003.

Mr Tan enquired the Section 44 balance of the Company. The Group Financial Controller, Ms Lai Chin Yee, confirmed that the Company's Section 44 balance available currently was approximately \$2.4 million.

In addition, Mr Tan asked how would the Group finance its future acquisitions/expansion given a reduction in the Group's cash balances as at 31 December 2003. Chairman explained that the reduction was mainly due to a major acquisition (Kim Kang Aquaculture Sdn Bhd) in FY 2003.

Any future expansion (e.g. initial setting up of retail chain stores) would be financed through external borrowings, if necessary, in addition to the cashflow generated from its operations. He stressed that the debt-to-equity ratio of the Group was still relatively low and that the Management is always mindful with its expenditure and would continue to monitor the Group's cashflow position on a monthly basis.

As there were no further questions, he requested shareholders to formally propose and second Ordinary Resolution No. 1: -

“Resolved that the Audited Accounts for the financial year ended 31 December 2003 and the Reports of the Directors and Auditors thereon be hereby received and adopted.”

On the proposal of Mr Tan Siew Huat and seconded by Ms Yap Saw Chin, Ordinary Resolution No. 1 was put to a vote. As there was no vote against, Chairman declared Ordinary Resolution No. 1 carried.

## **2 Declaration of First and Final Dividend**

Another shareholder, Mr Tan Siew Huat asked if the bonus shares were entitled to the dividend declared. Chairman informed him that the bonus shares were not entitled to the dividend declared for FY 2003 and these bonus shares were listed and traded separately as “Qian Hu A” shares currently. Accordingly, there is a difference in share price between the ordinary share (Qian Hu) and the bonus shares (Qian Hu A). These two counters will be merged after the book closure date for dividend entitlements.

He invited further questions from shareholders. As there were no further questions, Chairman proposed Ordinary Resolution No. 2, which was seconded by Mr Tan Tok Jin: -

“Resolved that a first and final dividend of 0.6 cents per ordinary share less 20% Singapore income tax for the financial year ended 31 December 2003 be paid on 2 April 2004 to members registered in the books of the Company on 22 March 2004.”

The Ordinary Resolution No. 2 was put to a vote. As there was no vote against, Chairman declared Ordinary Resolution No. 2 carried.

## **3. Re-election of Director**

Chairman informed the meeting that Mr Yap Ah Seng Alvin and Mr Yap Ah Siong Andy, both Executive Directors, were to retire pursuant to Article 89 of the Company's Articles of Association. Both directors had consented to offer themselves for re-election. The meeting would vote on the re-election one at a time.

He invited questions from shareholders. As there were no questions, he requested shareholders to formally propose and second Ordinary Resolution No. 3: -

“Resolved that Mr Yap Ah Seng Alvin who retired pursuant to Article 89 of the Company's Articles of Association, being eligible and offering himself for re-election be and is hereby re-elected as Director of the Company.”

On the proposal of Mr Tan Siew Huat and seconded by Mr Ee Guan Soon, Ordinary Resolution No. 3 was put to a vote. Mr Yap Ah Seng Alvin abstained from voting. As there was no vote against, Chairman declared Ordinary Resolution No. 3 carried.

#### **4. Re-election of Director**

Chairman invited questions from shareholders. As there were no questions, he requested shareholders to formally propose and second Ordinary Resolution No. 4: -

“Resolved that Mr Yap Ah Siong Andy who retired pursuant to Article 89 of the Company’s Articles of Association, being eligible and offering himself for re-election be and is hereby re-elected as Director of the Company”

On the proposal of Ms Yap Ai Tin and seconded by Ms Yap Saw Chin, Ordinary Resolution No. 4 was put to a vote. Mr Yap Ah Siong Andy abstained from voting. As there was no vote against, Chairman declared Ordinary Resolution No. 4 carried.

#### **5. Approval of Directors' Fees**

Chairman informed the meeting that each Independent Directors would receive \$10,000 as director’s fee for services rendered in FY 2003. Mr Tan Tok Jin commented that the directors’ fees were reasonable. However, he felt that Mr Robson Lee, as the Chairman of the Audit Committee, should be entitled to more fees due to his added responsibilities.

Chairman explained that all the Independent Directors had contributed positively to the different aspects of the Group. Each of the independent directors has complied with the Group’s policy of not having more than 4 directorships in listed companies. Chairman informed the shareholders to refer to the Report on Corporate Governance in the Annual Report 2003 on the board processes and the frequency of meetings held during the year. Chairman further explained that there were at least 4 board meetings and 4 audit committee meetings held annually. In addition, the directors would convene informal meetings as and when necessary for the updating on corporate developments. Every quarterly, the Company would arrange for an informal gathering session for the employees to meet up with the senior management team. The Independent Directors are invited to attend these gathering sessions.

Chairman invited questions from shareholders. As there were no questions, he requested shareholders to formally propose and second Ordinary Resolution No. 5:-

“Resolved that the payment of Directors’ fees of \$30,000 for the financial year ended 31 December 2003 be and is hereby approved.”

On the proposal of Mr Tan Tok Jin and seconded by Ms Yap Ai Tin, Ordinary Resolution No. 5 was put to a vote. Mr Robson Lee, Mr Chang Weng Leong and Mr Tan Tow Ee abstained from voting. As there was no vote against, Chairman declared Ordinary Resolution No. 5 carried.

#### **6. Re-appointment of Auditors**

The Chairman introduced Mr Stephen Phan from Ernst & Young. He is the audit engagement partner for the Qian Hu audit.

Chairman invited questions from shareholders. Mr Tan Tok Jin asked whether the \$15,000 paid to the Group’s internal auditors, KPMG, included the internal audit work carried out for its overseas subsidiaries. Group Financial Controller explained that the fee payable to KPMG in FY 2003 was for the internal audit review of Qian Hu Corporation Limited (the Company) only. The internal auditors had scheduled to perform the audit of another major Malaysia subsidiary,

Qian Hu Aquarium & Pets (M) Sdn Bhd, this year. Mr Tan expressed his concern on the internal control systems of the entities if the internal audit review was carried out on a rotational basis instead of annually.

The Chairman of the Audit Committee explained that the Group Financial Controller was a well-experienced senior audit manager, previously with one of the international accounting firms. She visits all the subsidiaries on a regular basis to review their accounting records and to ensure the effectiveness of the internal controls systems in place. In fact, since the Group listing in Year 2000, it had progressively put in place the necessary control systems within all its subsidiaries to manage the risks incurred by the Group in its activities and to promote continuous improvement to the Group's operations. The internal audit would serve as an added layer of controls, in addition to the above mentioned monitoring process. Overall, the Audit Committee was satisfied with the internal control system in place in each entity. The Audit Committee also reviewed the monthly financial reports and analysis submitted by the Management to enable them to have an overview of the Group's financial position. Chairman added that it was due to such effort that the Group was able to announce its audited full year results within 2 weeks after its financial year end.

As there were no further questions, he requested shareholders to formally propose and second Ordinary Resolution No. 6: -

“Resolved that Ernst & Young be and are hereby re-appointed Auditors of the Company at a fee to be fixed by the Directors.”

On the proposal of Mr Tan Tok Jin and seconded by Mr Tan Siew Huat, Ordinary Resolution No. 6 was put to a vote. As there was no vote against, Chairman declared Ordinary Resolution No. 6 carried.

## **SPECIAL BUSINESS**

### **Ordinary Resolution**

#### **7. General Mandate to Authorise the Directors to Issue Shares or Convertible Securities**

Chairman invited questions from shareholders.

Mr Tan Tok Jin asked whether the Company has a share buyback mandate. A share buyback process could be executed immediately in case of a share market collapsed.

Chairman replied that currently it did not make sense to do any share buyback since the Qian Hu counter has low trading volume and buying back the Company's share would not help to improve its liquidity. The Chairman of Audit Committee added that till date, the Company's share price had remained at a reasonable level and above its IPO price of \$0.30. The Board of Directors believed in achieving and delivering results and building fundamentals of the Company than relying on such mechanism to stabilise the Company's share price. The Company would prefer to use its funds and accumulated reserves to declare dividends or to issue bonus shares to its shareholders than to buyback its share with distributable profits. Nevertheless, the Board would consider a share buyback mandate should there be a need in the future.

As there were no further questions, he requested shareholders to formally propose and second Ordinary Resolution No. 7: -

“THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited (the “Listing Rules”), authority be and is hereby given to the Directors of the Company to allot and issue: -

(a) shares; or  
(b) convertible securities; or  
(c) additional securities issued pursuant to Rule 829 of the Listing Rules; or  
(d) shares arising from the conversion of securities in (b) and (c) above,  
in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that: (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution must be not more than 50% of the issued share capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the issued share capital of the Company (calculated in accordance with (ii) below); and (ii) for the purpose of determining the number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued share capital shall be calculated based on the Company's issued share capital at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding at the time of the passing of this resolution, and (c) any subsequent consolidation or subdivision of shares. Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the earlier of the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the company is required by law to be held, whichever is earlier."

On the proposal of Ms Lim Yue Li and seconded by Mr Tan Siew Huat, Ordinary Resolution No. 7 was put to a vote. As there was no vote against, Chairman declared Ordinary Resolution No. 7 carried.

There being no further business, the meeting ended at 11.50 a.m. The Chairman thanked the support of all the shareholders of Qian Hu and if there should be any question from any shareholder regarding the Group, he welcomed shareholders to write in or call the Company through any of the Group's communication tools available. He then invited all to the lunch reception.

**CONFIRMED AS A CORRECT RECORD OF THE  
PROCEEDINGS OF THE MEETING**



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**KENNY YAP KIM LEE  
CHAIRMAN**