QIAN HU CORPORATION LIMITED
ANNUAL REPORT 2003

AHEAD OF THE PACK

MISSION STATEMENT

We want to create shareholders' value by becoming a world-class ornamental fish and accessories company through innovative and quality products and services.

VISION

1 To be the world's Number 1 ornamental fish exporter

2 To expand Qian Hu - The Pet Family throughout Asia

3 To be the top 3 manufacturers of aquarium accessories in China

4 To be the most profitable Dragon Fish breeder through R&D collaboration with Temasek Life Sciences Laboratory

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AHEAD OF THE PACK

Every week, thousands of bags of fish go through our bar code scanners before they are flown to more than 60 countries throughout Asia and to far-flung corners of the globe. Such intricate, time-sensitive operations are now enhanced, thanks to the liberal use of technology and research developed right here in Singapore.

Business innovation continues to be our dominant trait, ensuring that we stay ahead of the industry, whether it is business integration, product and service quality or corporate governance.


QUALITY
GREEN DOVE
ISO
14001
SINGAPORE
QUALITY CLASS
SGS
UKAS
QUALITY
MANAGEMENT

QUALITY

Recognition for our award-winning fish at this year's Aquarama show:

1st prize for Tetra (Class 1 Open)

1st prize for Gourami (Class 1, Dwarf Gourami)

1st prize for Swordtail (Class 1 Open)

1st prize for New Species/Varieties
(Class 1, Captive-Bred)

1st prize for New Species/Varieties
(Class 2, Wild-Caught)

2nd prize for Gourami (Class 2, Other Gourami)
Trichogaster

3rd prize for New Species/Varieties
(Class 2, Wild-Caught)

3rd prize for Dragon Fish (Class 1, Red)

Recognition for Corporate Transparency

Most Transparent Company Award
(Service/Utilities/Agriculture category)

Golden Circle Special Merit Award

Recognition for Corporate Governance

Best Managed Board Award (Special Mention)


RESEARCH & DEVELOPMENT

RESEARCH & DEVELOPMENT

The continuation of our industry's success will depend on what we know about the behaviour of our biological assets - the more we know, the higher are our chances of securing our future.

Imagine being able to provide new varieties of the highly-prized Asian Arowana (Scleropages formosus) and be assured of its quality. That dream will soon become reality as we understand the breeding behaviour of these endangered fish that are indigenous to the equatorial regions, particularly, the Indonesia archipelago.

Up till now, farmers have had to rely on their years of experience and whims and fancies of Mother Nature. For centuries, breeders believed that Arowanas bred most frequently during monsoon seasons. We hope that our research will reveal the mating behaviours of this mysterious, pre-historic fish.

One of the limiting factors in the production of Arowanas is the difficulty in determining the gender of the brooders. In a collaboration with the Temasek Life Sciences Laboratory (TLL) , Qian Hu has embarked on a novel approach in determining the breeding behaviour of its brooders. This project will enable us to selectively breed and improve the quality of the future generations of the Dragon Fish.

Singapore is the ideal location to base such research as it has access to the latest in genetic research technology, plus the suitability of its climate which is very similar to the Arowana's natural habitat.

By collecting a small sample of the biological material of the brooders, we are able to obtain DNA information of these brooders.

The various DNA information are then tagged to the individual brooder's microchip number and kept for various analyses. The DNA information is useful for understanding their behaviour in the breeding ponds.

Commercial ornamental fish breeders can use this information to better determine the model ratio of the two genders to achieve the highest number of juvenile Arowana. This method offers a more efficient alternative to the traditional farming of arowanas.

At Qian Hu, we believe that the continuation of our industry's success will depend on what we know about behaviour of our biological assets - the more we know, the higher are our chances of securing our future.

It is with this objective in mind that we launched The Qian Hu-TLL Life Sciences Scholarship in January 2004. Aimed at training researchers for R&D work highly relevant to the ornamental fish industry, the TLL-managed scholarship will help the industry to be come more knowledge-based and thus move up the technology ladder.

Our first scholar on the programme, Mr Alex Chang, a researcher who has been working with Arowanas for the past four years and author of "The Handbook of Asian Cichlasoma", will embark on his research under the supervision of Dr Laszlo Orban, Principal Investigator at TLL's Laboratory of Reproductive Genomics.


TECHNOLOGY

TECHNOLOGY

Building intelligence into our automated operations is key to being more productive and efficient. We developed a programme to improve enterprise decision-making and maximise the creation of value. Such collaborative efforts span across and beyond our Singapore headquarters and amongst our regional bases in Malaysia, Thailand and China. Moreover, information is shared amongst our customers and suppliers around the world, regardless of time and place. With new channels of information, dynamic management information systems begin to flow - the necessary ingredients for innovation.

- Customers and shareholders are able to check our latest stock quotes, reward points and provide feedback directly through a multilingual, fully-automated phone hotline combining VoiceXML and the latest Internet and telephony technologues - another first in the ornamental fish industry!
- An automated packing line with bulk label printing, goods tracking and business report generation built around a central knowledge base.
- A more efficient way of packing Arowana by developing an application captures data from the Arowana's embedded microchip as well as from a central knowledge base to generate labels on-the-fly, an innovation that increases efficiency of the operation by many-folds.

CHAIRMAN'S MESSAGE

MY DEAR SHAREHOLDERS

2003 was one of the most challenging years I have ever encountered - a "perfect storm" combining a global war on terrorism and another war of the microbiological kind - Severe Acute Respiratory Syndrome (SARS) that caused the entire world to hold its breath as consumer confidence waned to an all-time low.

However, I am gratified that we have emerged relatively unscathed from the cinders, which reinforces our belief that Qian Hu indeed has a resilient business model.

There is reason to celebrate. Despite the double whammy impact of the "perfect storm", our Group turnover grew 8.0% to $67.7 million, while net profit attributable to shareholders rose 7.2% to $7.0 million.

Turnover from our ornamental fish business grew by 14.3% to $27.5 million, led by the expansion of our customer base and distribution network in Malaysia, Thailand, and as well as our newly-acquired subsidiary, Kim Kang Aquaculture Sdn Bhd. The Group also expanded to more countries around the world from our Singapore headquarters.

Our accessories manufacturing and distribution business managed to grow 5.4% to $1.7 million in sales, due to an increase in exports of accessories from Singapore to more countries, as well as the improving sales performance of its manufacturing base in Guangzhou despite a drop in local demand for accessories products during the SARS outbreak coupled with a keen and competitive business environment.

Revenue from plastics and other businesses declined by 2.5% to $6.6 million as a result of local market competitiveness which was mitigated by the Group's efforts to focus on selling more high-value items and expanding its distribution channels both locally and overseas.

We are fully committed to running a well-balanced and prudently-managed company. We are especially pleased that we have won a number of awards that continues to encourage us to focus on running the business the best we can. This year, the Securities Investors Association Singapore bestowed twin accolades for our commitment to corporate transparency and governance - the Most Transparent Company Award, which we won for the third consecutive year, and the Golden Circle Award (Special Merit) which is given out to companies who consistently strive for transparency.

We were also most fortunate to have received special mention in the Best Managed Board Award from the Singapore Institute of Directors and The Business Times as a testament that small companies can also manage their boards well.

You would also notice that every year, we would up the ante with regard to the amount of information that we disclose in our annual reports.

DIVIDEND

It has always been our policy to declare a dividend when we are profitable, we are also mindful that as a growing company, a fine balance has to be struck between retaining cash for expansion purposes, and cash for dividend payouts, depending on the situation and opportunities.

Our Directors have recommended a first and final gross dividend of 0.6 cents per share, which if approved, will be paid to shareholders on 2 April 2004.

BONUS ISSUE

In addition, we wish to express appreciation to all of our loyal shareholders for their continuing support for Qian Hu by proposing a bonus issue of one bonus share for every 5 existing ordinary shares held.

This is also an opportunity to augment our issued share capital base to reflect the growth & expansion of the Group's business.

BUSINESS PROSPECTS

As we have articulated from time and again, the future of the Group depends on our ability to extract maximum potential from our overseas network and see them move from gestation to maturity, both in the ornamental fish and accessories segments.

Ornamental Fish

The Group's network in Singapore, Malaysia, Thailand and China along with newly-established hubs such as Jakarta, helps to establish Qian Hu as the only ornamental fish company in the world which is able to supply ornamental fish from 5 countries. By exporting more fish to more countries, Qian Hu hopes to secure 60% to 70% of the world's ornamental fish supply, hence, adding a positive contribution to our turnover for ornamental fish business.

In the coming years, we envisage an increasing demand for Dragon Fish in the region, particularly in Taiwan and China. Our position as an integrated fish service provider is further strengthened by further backward integrating our fish operations, following the acquisition of Kim Kang, and optimising our sales and profit margins of ornamental fish.

Qian Hu's collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish will also enable us to increase the production of Dragon Fish, and enhance the Group's ability to meet the growth in demand for Dragon Fish in the current year and the years to come.

Accessories

The Group's overseas entities dealing with accessories are expected to maintain their growth this year with the continuous expansion in its market share.

The production capacity of our Guangzhou subsidiary has more than doubled after a recent move into a bigger factory in December 2003. It aims to emerge as one of the top 3 manufacturers in China for aquarium accessories by Year 2008.

We plan to increase our stake in the company from 60% to 80% so as to be able to consolidate a higher share of profit from the Guangzhou subsidiary in the current year.

Retail Chain Stores:
Qian Hu - The Pet Family

In 2004, Qian Hu will pursue an aggressive expansion of its new chain store concept, "Qian Hu - The Pet Family", in Jakarta, Bangkok, Shanghai, Tianjin, Beijing, Penang and Johor Bahru. We plan to expand to more than 100 stores within the next 5 years.

All of the chain stores will sell both ornamental fish and related aquarium & pet accessories with some stores also conducting pet grooming activities. We believe that this forward-integration initiative will enhance our growth and profitability in both our fish and accessories business in these countries for the current year.

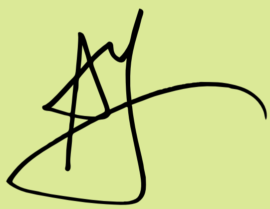
In view of our expansion plans, particularly the launch of "Qian Hu - The Pet Family" throughout Asia, we expect to incur higher pre-operational expenditure, which would cause fluctuations in our operating profit from quarter to quarter. However, we expect our Group's overall turnover and profit to continue to increase in FY 2004.

SPECIAL MENTIONS

This has indeed been a very challenging year for Qian Hu, and I have all of my colleagues throughout the Group to thank for their hard work and dedication. I am fully aware that we have stretched our professional managers who have taken on quite a number of portfolio. As we seek to expand our business externally, it would invariably take a strain on our human capital. We need to rally together even more as we take another giant leap towards becoming a world-class organisation.

I would also like to thank my fellow directors for their notable contributions and advices, and to our customers, suppliers, business associates, and most importantly, to you our valued shareholders for your continued support of Qian Hu.

Have a fantastic year ahead!



Kenny Yap "The Fish"
Executive Chairman &
Managing Director

BOARD OF DIRECTORS

Kenny Yap Kim Lee
Executive Chairman and Managing Director

Mr Kenny Yap is the Executive Chairman and Managing Director of Qian Hu Corporation Limited, the only integrated ornamental fish service provider listed on the main board of the Singapore Exchange.

Through his leadership, vision and passion for the industry, Kenny plays a key role in establishing Singapore as the ornamental fish capital of the world, with Qian Hu accounting for more than 4% of the global fish market. He has a string of awards to his name – Ernst & Young's Service Entrepreneur of the Year Award 2003, Young Chinese Entrepreneur of the Year by Yazhou Zhoukan in 2002, one of the 50 Stars of Asia by Business Week in 2001, the PSB/International Institute of Management's International Management Action Award in 2000, and the Singapore National Youth Award in 1998.

Kenny graduated from Ohio State University (USA) with a 1st Class Honours degree in Business Administration.

He currently serves as the Chairman for the Ornamental Fish Business Cluster initiated by AVA and is a member of the Action Community for Enterpreneurship (ACE).

Alvin Yap Ah Seng
Deputy Managing Director

Mr Alvin Yap, a founding member of the Group, oversees the Group's aquarium and pet accessories operations in his current capacity as Deputy Managing Director. He also take charge of the Group's operations in China.

Alvin holds a diploma in Mechanical Engineering from Singapore Polytechnic and was the managing partner for Yi Hu Fish Farm Trading from 1988 to 1998. A member of the Aquarium Fish Dealers Association since 1990, Alvin served as its Treasurer in 1992 and 1993. In 2000, Alvin, together with Kenny Yap and Andy Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

Andy Yap Ah Siong
Deputy Managing Director

Mr Andy Yap, a founding member of the Group, heads the Group's ornamental fish operations as Deputy Managing Director and oversees the Group's operations in Malaysia and Indonesia.

Andy holds a diploma in Business Studies from Ngee Ann Polytechnic and was the managing partner for Qian Hu Fish Farm Trading from 1989 to 1998. In 2000, Andy, together with Kenny Yap and Alvin Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

Chang Weng Leong
Independent Director

Appointed in 2000, Chang Weng Leong serves as Qian Hu's Independent Director. He is currently the Principal Consultant of Alchemy Business Consultants, and has many years of experience in various areas of management - such as quality management, environmental, human resource and business.

Mr Chang is the Chairman of the Remuneration Committee which oversees the remuneration of key executives of the Group. He also plays an active role in overseeing the Group's Human Resources as well as the maintenance and enhancement of the Group's information management systems in Singapore and overseas, especially in assisting new entities within the Group establish their Management Information System seamlessly.

Mr Chang holds a Masters of Science degree in Mechanical Engineering from the National University of Singapore.

He is a registered Senior Auditor with the Singapore Accreditation Council and a Lead Auditor with the Institute of Quality Assurance (IRCA UK). He is also the Evaluator and Verifying Auditor appointed by the Singapore Accreditation Council.

Robson Lee Teck Leng
Independent Director

Robson Lee is a partner in Shook Lin & Bok's corporate finance & international finance practice and has been with the firm since 1994. He is also a partner in the firm's China practice, focusing on cross-border corporate transactions in the People's Republic of China.

With a LLB (Hons) from the National University of Singapore, Robson is currently the Chairman of the Audit Committee of Qian Hu Corporation Limited. He runs an active practice advising corporate issuers in a number of industries ranging from high-tech, food and beverage, speciality chemicals and pharmaceuticals, and their underwriters in fund-raising and stock market flotations. He is also the Secretary of the Board of Governors of the Chinese High School and the College Management Committee of Hwa Chong Junior College, as well as a trustee of the land on which the Chinese High School and Hwa Chong Junior College are situated. He has structured a number of corporate finance transactions and advises public listed companies on securities transactions, cross-border mergers and acquisitions and foreign joint ventures.

Tan Tow Ee
Independent Director

Tan Tow Ee was appointed in May 2002 as an Independent Director of Qian Hu Corporation Limited.

Mr Tan is currently managing private funds and also provides consultancy services. He has more than 12 years of professional experience working with international corporations where he was managing their sizeable investments.

He holds a Honours Degree in Finance from Ohio State University (USA).

He is the Chairman of the Nominating Committee which assesses the Board's performance and effectiveness as well as the independence of directors. Also the Chairman of the Branding Committee, Mr Tan plays a pivotal role in developing Qian Hu's brand name into the region.

SENIOR MANAGEMENT

Lai Chin Yee
Group Financial Controller

Ms Lai is responsible for the Group's accounting, finance, treasury and tax functions. Prior to joining the Group in May 2000, Ms Lai was an auditor with international accounting firms since 1987. She holds a Bachelor's degree in Accountancy from the National University of Singapore and is a member of the Institute of Certified Public Accountants of Singapore.

Low Eng Hua
Group General Manager

Mr Low joined the Group in April 2001, and is responsible for overall management and business development of the Group. He had worked in Engage Electronics (S) Pte Ltd from 1993 to 2001 where he rose through the ranks from Application Engineer to Deputy Operations Manager. He holds a Bachelor's degree in Engineering from the National University of Singapore.

Yap Kim Choon
Division Head
Wan Hu Division

As one of our founding members, Mr Yap joined the Group in 1988 as head of Wan Hu division. He specialises in the rearing and breeding of Dragon Fish and has helped the Group win prizes in international competitions.

Thomas Ng Wah Hong
Managing Director
Qian Hu Aquarium And Pets (M) Sdn Bhd

Prior to joining Qian Hu (Malaysia) in 1998, Mr Ng was a director of Guan Guan Industries Sdn Bhd since 1990, and Agemac Verdas (Malaysia) Sdn Bhd from 1996 to 1998. He holds a diploma in Civil Engineering from the Singapore Polytechnic.

Jimmy Tan Boon Kim
Managing Director
Thai Qian Hu Company Limited

Prior to his current appointment in Thai Qian Hu, Mr Tan was the head of Daudo division overseeing import and export and wholesale of ornamental fish. He was also the sole proprietor of Daudo Aquarium for 9 years and a partner of Sea Palace Tropical Fish for 6 years.

Alex Chuang
General Manager
Guangzhou Wan Jiang Technology Co Ltd

Appointed as the General Manager of the Guangzhou subsidiary, Wan Jiang Technology Co Ltd in 2000, Mr Chuang, who holds a degree in Economics, is responsible for business development and the day-to-day operations of the company.

Lee Kim Hwat
Managing Director
Qian Hu Tat Leng Plastic Pte Ltd

Mr Lee has been overseeing and managing the operations and business development of Qian Hu Tat Leng for more than 10 years, and is responsible for the growth of our plastics business in Singapore.

Tony Yap
General Manager
Beijing QianYang Aquarium Co Ltd

Mr Yap has been working in the Singapore fish export division since 1989. Currently, as the General Manager of the Beijing subsidiary, Mr Yap oversees the business development and the daily operations of the company.

Goh Siak Ngan
Managing Director,
Kim Kang Aquaculture Sdn Bhd

Mr Goh is the founder of Kim Kang, and has over 20 years of experience in breeding Arowana. In 1992, he started his own farm in Batu Pahat which not only specialised in the breeding of Arowana but Arapaima Gigas and Red Gourami as well.

Viravat Valaisathien
General Manager
Thai Qian Hu Company Limited

Mr Valaisathien, a law graduate from St John's University in Thailand, was appointed General Manager of Thai Qian Hu in 2002. He is responsible for the company's purchasing and domestic sales activities as well as its day-to-day operations.

CORPORATE INFORMATION

Board of Directors

Kenny Yap Kim Lee
(Executive Chairman and Managing Director)
Alvin Yap Ah Seng
Andy Yap Ah Siong
Robson Lee Teck Leng
Chang Weng Leong
Tan Tow Ee

Company Secretary

Lai Chin Yee

Audit Committee

Robson Lee Teck Leng (Chairman)
Chang Weng Leong
Tan Tow Ee

Nominating Committee

Tan Tow Ee (Chairman)
Robson Lee Teck Leng
Chang Weng Leong

Remuneration Committee

Chang Weng Leong (Chairman)
Robson Lee Teck Leng
Tan Tow Ee

Registered Office

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Singapore 698950
Tel: (65) 6766 7087
Fax: (65) 6766 3995
Website: www.qianhu.com

Share Registrar

M & C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

Auditors

Ernst and Young
10 Collyer Quay
#21-01 Ocean Building
Singapore 049315
Partner-in-charge: Steven Phan Swee Kim
(since financial year ended 31 December 2000)

Principal Bankers

The Development Bank of Singapore Ltd
Overseas-Chinese Banking Corporation Limited
United Overseas Bank Limited

GROUP STRUCTURE

Qian Hu Corporation Limited

Qian Hu Fish Farm Trading
Yi Hu Fish Farm Trading
Wan Hu Fish Farm Trading

Subsidiaries

100%
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)
Jiang Nan Holdings Pte Ltd (Singapore)
Qian Hu Aquarium And Pets (M) Sdn Bhd (Malaysia)
Atlantis Aquarium Sdn Bhd (Malaysia)
Beijing Qian Yang Aquarium Co Ltd (China)
Fujian Anxi Qian Long Plastics Private Co Ltd (China)

74%
Qian Hu Marketing Co Ltd (Thailand)

65%
Kim Kang Aquaculture Sdn Bhd (Malaysia)

60%
Thai Qian Hu Company Limited (Thailand)

60%
Guangzhou Wan Jiang Technology Co Ltd (China)

49%
*NNTL (Thailand) Limited (Thailand)
*The Group has voting control at general meetings and Board meetings

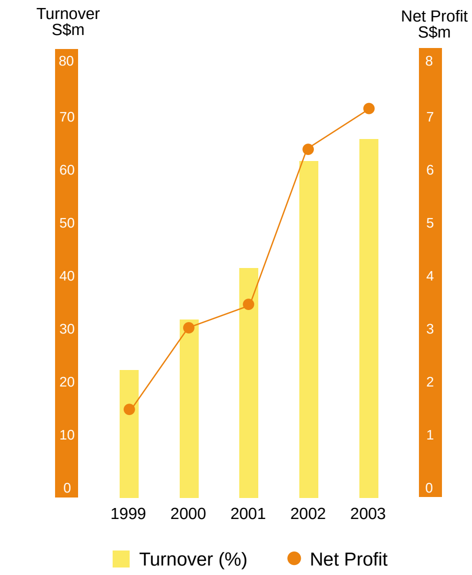
Associates

50%
Jin Jien Hsing Enterprises Co Ltd (Taiwan)

49%
PLC Pet Safari (Kuala Lumpur) Sdn Bhd (Malaysia)

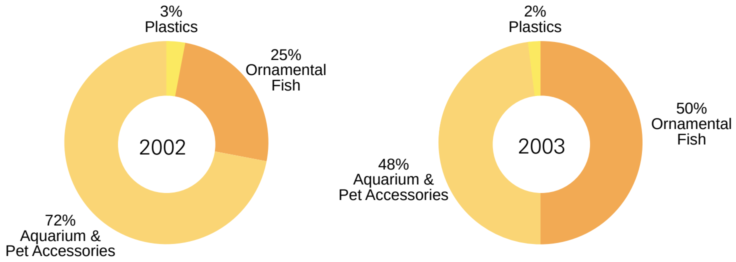
FINANCIAL HIGHLIGHTS

Growth Indicators



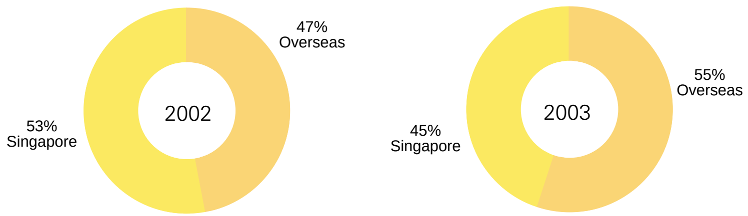
Net Profit by Activities

(Full year ended 31 December)

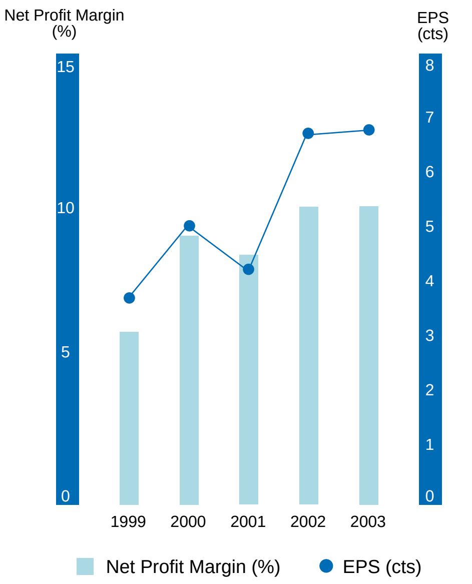


Net Profit by Geographical Regions

(Full year ended 31 December)

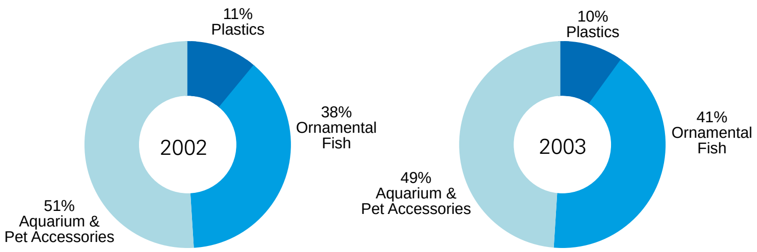


Growth Indicators



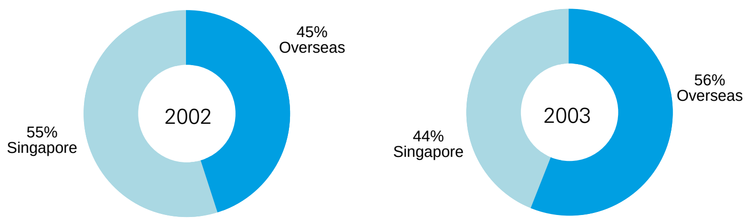
Turnover by Activities

(Full year ended 31 December)



Turnover by Geographical Regions

(Full year ended 31 December)



Value-Added Statement

	2003 $'000	2002 $'000
Revenue earned	67,680	62,693
less : Purchase of goods	(48,350)	(45,427)
Gross value added from operations	**19,330**	**17,266**
Other operating income	202	101
Exchange (loss) gain	280	(93)
Share of associates results	-	139
Total value added	**19,812**	**17,413**
Distribution :		
To employees in salaries and other related costs	7,924	6,885
To government in corporate and other taxes	1,872	2,155
To providers of capital :		
– Interest paid on borrowings from banks	221	180
Retained for re-investment and future growth		
– Depreciation and amortisation	1,739	1,411
– Accumulated profits	7,016	6,547
– Minority interest	754	(12)
Non-production cost and income :		
– Bad debts and provision for doubtful debts	286	247
Total distribution	**19,812**	**17,413**

Productivity Data

	2003	2002
Number of employees	637	579
Value added per employee ($'000)	31	30
Value added per $ of employment cost	2.50	2.53
Value added per $ sales	0.29	0.28
Value added per $ of investment in property, plant and equipment & brooder stocks	0.76	1.29

OPERATING & FINANCIAL REVIEW

Overview

Qian Hu is an integrated "one-stop" ornamental fish service provider ranging from breeding of Dragon Fish, farming, importing, exporting and distributing of ornamental fish as well as manufacturing of aquarium and pet accessories and distributing them to local and overseas customers.

Currently, Qian Hu has presence in 6 countries, namely, Singapore, Malaysia, Thailand, Indonesia, China and Taiwan, which consists of 11 subsidiaries and 2 associates (collectively known as "the Group").

The Group's main business activities can be classified into :

Ornamental fish

The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming and distribution activities. Ornamental fish are imported from countries in South-East Asia, South America and Africa. The Group currently exports over 500 species and varieties of ornamental fish directly to more than 60 countries as well as distributes to local retailers and exporters.

Accessories

The distribution of accessories complements the ornamental fish operations by providing a "one-stop" shop to meet customers' aquarium needs. The Group distributes more than 5,000 types of aquarium and pet accessories for more than 20 major manufacturers and principals to local retailers and to wholesalers in Asia, including supermarkets operated by NTUC FairPrice, Cold Storage, Carrefour, Lotus/Tesco, etc.

In addition, the Group has developed its own brands of aquarium and pet accessories under the name "Ocean Free", "Delikate", "BARK" and "ARISTO-CATS YI HU". The Group also has production facilities in Guangzhou, China to manufacture aquarium and pet accessories for the Group as well as for third parties.

Plastic bags

As an ancillary business, the Group manufactures plastic bags for its own use in the packing of ornamental fish for sale in a separate factory located in Woodlands. The plastic bags are also supplied to third parties in the ornamental fish, food and electronics industries.

Vision Objectives

To be the world's Number 1 ornamental fish exporter

The Group is able to export fish from Singapore, Thailand, Malaysia, and China. Together with the newly-established subsidiary in Indonesia, it is the only ornamental fish company in the world, which is able to supply up to 60% to 70% of the world's ornamental fish. The Group will continue to grow its export business in these five countries so as to become the world number 1 exporter in time to come.

To expand "Qian Hu - The Pet Family" throughout Asia

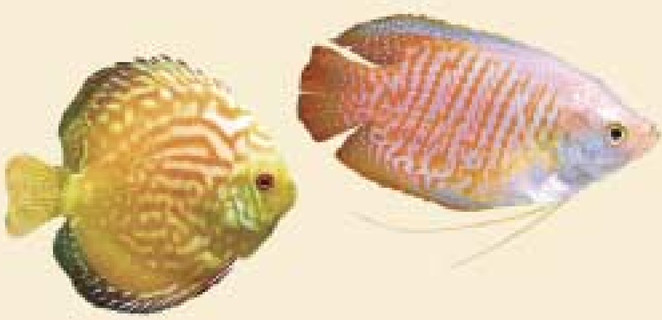
In 2004, Qian Hu will pursue its new initiative by setting up retail chain stores in China, Thailand, Malaysia, and Indonesia. It plans to have 10 to 20 stores this year, with plans to expand to more than 100 stores within the next 5 years.

To be the top 3 manufacturers of aquarium accessories in China

The Group's Guangzhou manufacturing base, which recently has more than doubled its production capability after moving into a bigger factory, aims to emerge as one of the top 3 manufacturers in China for aquarium accessories by Year 2008.

To be the most profitable Dragon Fish breeder

Qian Hu's collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish will increase the production of Dragon Fish in the farms. This will enhance the Group's ability to ride the growth in demand for Dragon Fish and improve the profitability for Dragon Fish.



Financial Performance

	2003 $'000	2002 $'000	Change %
Turnover			
- Ornamental fish	27,466	24,023	14.3
- Accessories	33,646	31,935	5.4
- Plastics	6,568	6,735	(2.5)
Total turnover	**67,680**	**62,693**	**8.0**
Less : Cost of sales	(42,312)	(40,515)	4.4
Gross profit	25,368	22,178	14.4
Add : Other operating income	202	101	100.0
Less : Operating expenses	(16,016)	(13,830)	15.8
Operating profit	9,554	8,449	13.1
Add : Share of associates results	-	139	(100.0)
Profit before taxation	**9,554**	**8,588**	**11.2**
Less : Taxation	(1,784)	(2,053)	(13.1)
Less : Minority interests	(754)	12	NM
Profit after taxation	**7,016**	**6,547**	**7.2**

Key indicators

Return on sales (%)	10.4	10.4	
Return on equity (%)	19.2	23.5	
Earnings per share (cents)			
- Basic	6.72	6.64	1.2
- Diluted	6.68	6.58	1.5
Net asset value per share (cents)	38.33	27.41	39.8
Gross dividend per share (cents)			
- First and final	0.6	0.6	-
- Special	-	0.6	(100.0)
Total	0.6	1.2	(50.0)

TURNOVER

Turnover by business activities

	Fish		Accessories		Plastics		Total	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
1st Quarter	6,307	5,478	8,004	5,545	1,631	1,505	15,942	12,528
2nd Quarter	6,767	6,512	8,871	7,015	1,625	1,762	17,263	15,289
3rd Quarter	7,602	6,339	8,541	9,424	1,656	1,701	17,799	17,464
4th Quarter	6,790	5,694	8,230	9,951	1,656	1,767	16,676	17,412
Total	**27,466**	**24,023**	**33,646**	**31,935**	**6,568**	**6,735**	**67,680**	**62,693**

Turnover by geographical location

	Singapore		Overseas		Total	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
1st Quarter	7,911	7,261	8,031	5,267	15,942	12,528
2nd Quarter	7,902	8,288	9,361	7,001	17,263	15,289
3rd Quarter	7,193	9,556	10,606	7,908	17,799	17,464
4th Quarter	6,735	9,181	9,941	8,231	16,676	17,412
Total	**29,741**	**34,286**	**37,939**	**28,407**	**67,680**	**62,693**

For the year ended 31 December 2003, the ornamental fish and accessories activities continued to be the Group's core activities, which together accounted for 90% of total turnover. The Group's turnover increased by approximately $5.0 million or 8% from $62.7 million for the year ended 31 December 2002 to $67.7 million for the year ended 31 December 2003.

Ornamental fish

Turnover from ornamental fish increased by 14.3% or $3.4 million from $24.0 million in FY 2002 to $27.4 million in FY 2003. The Group's overseas operations in Thailand and Malaysia, including the newly acquired subsidiary, Kim Kang Aquaculture Sdn Bhd (a Dragon Fish farm in Batu Pahat, Johor), managed to expand both their customers base and distribution network to achieve higher turnover throughout the year. In addition, the Group exported ornamental fish to more countries around the world from Singapore during the year.

Accessories

In FY 2003, the Group continued to make conscientious effort to increase its accessories export from Singapore to more countries, which has accounted for the increase in sales of accessories. In addition, the turnover recorded by the Guangzhou manufacturing base is increasing steadily, which has constituted to the increase in accessories turnover. The above-mentioned increase was offset by lower turnover from the domestic market due to a drop in local demand for accessories products, resulted in only a marginal increase of 5.4% or $1.7 million in overall accessories sales in FY 2003 as compared to FY 2002.

Plastics

Operating conditions for the plastics activities remained competitive. The Group managed to sustain its turnover in FY 2003. The Group continues to focus on generating sales through selling more high-yielded items while looking at other new channels to expand its current market share domestically and overseas.

On a geographical basis, turnover from Singapore dipped by 13.3% mainly as a result of decrease in sales of aquarium accessories to local retailers due to lower demand during the SARS outbreak period coupled with keen competition. Turnover from overseas grew by 33.6% in FY 2003 as compared to FY 2002. Both the Singapore and overseas operations' constant effort in expanding the distribution network into overseas untapped markets contributed to the increase in overseas turnover.

OPERATING EXPENSES

The breakdown of operating expenses is set out as follows:

	2003 $'000	2002 $'000	Change %
Staff cost			
Directors' fees and remuneration	913	1,062	(14.0)
Salary and related cost	5,987	5,076	17.9
Provident Fund contribution	608	568	7.0
Staff welfare benefits	416	179	132.4
Total staff cost	7,924	6,885	15.1
Premises and equipment			
Depreciation of fixed and biological assets	1,654	1,303	26.9
Rental of premises	608	534	13.9
Upkeep, repair and maintenance	801	626	28.0
Total premises and equipment	3,063	2,463	24.4
Selling expenses	**1,829**	**1,691**	**8.2**
Interest expenses (net)	**214**	**174**	**23.0**
Provision for doubtful trade debts	**286**	**217**	**31.8**
Exchange (gain) loss	**(280)**	**93**	**NM**
Utilities	**585**	**514**	**13.8**
Consultancy and professional fees	**511**	**374**	**36.6**
Other operating expenses	**1,884**	**1,419**	**32.8**
Total operating expenses	**16,016**	**13,830**	**15.8**
Group staff strength	637	579	10.0

The Group's operating expenses increased by 15.8% or $2.2 million, mainly due to the increase in staff cost, the largest expense component, by $1.0 million or 15.1% as a result of the increase in headcount. The increase in other expenses category is in line with the expansion of the Group's operations (including expenditure incurred in new entities acquired during the year).

PROFITABILITY

Profit by business activities

	Fish		Accessories		Plastics		Unallocated corporate expenses		Total	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
1st Quarter	617	699	1,411	1,001	60	56	(388)	(345)	1,700	1,411
2nd Quarter	1,339	939	1,334	1,551	132	102	(316)	(335)	2,489	2,257
3rd Quarter	1,472	380	1,278	2,315	33	27	(277)	(283)	2,506	2,439
4th Quarter	1,905	432	1,218	2,269	31	80	(295)	(300)	2,859	2,481
Total	**5,333**	**2,450**	**5,241**	**7,136**	**256**	**265**	**(1,276)**	**(1,263)**	**9,554**	**8,588**

The Group's operating profit increased by $1.0 million or 11.2% to $9.6 million in FY 2003 as compared to FY 2002. Profit after taxation increased by 7.2% from $6.5 million for the year ended 31 December 2002 to approximately $7.0 million for the year ended 31 December 2003.

In FY 2003, the better performance from the ornamental fish activities was partially offset by the reduction in profitability in both the accessories and plastics activities. The higher sales and profit margins yielded from our own-bred Dragon Fish have contributed significantly to the increase in the profitability of the ornamental fish business, while the reduction in domestic sales of accessories products led to lower profit contribution from the accessories activities.

Ornamental fish

The operating profit from ornamental fish activities surged from $2.5 million to $5.3 million in FY 2003 mainly due to a valuation placed on the breeder stocks (off-springs of existing brooder stocks) of approximately $1.5 million. In addition, the increase in sales of own-bred Dragon Fish from both the Singapore and Malaysia farms yielded a higher gross profit margin as compared to the sales mix in FY 2002, lifted the profitability of ornamental fish in FY 2003.

Accessories

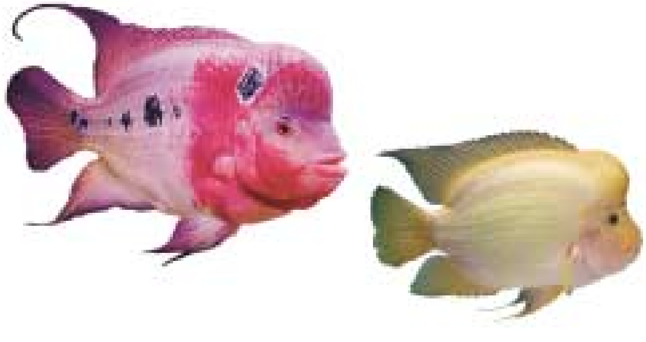
Compared to FY 2002, the Group's operating profit from the accessories business dipped in FY 2003 by $1.9 million or 26.6% as a result of lower turnover recorded during the year, coupled with a slight reduction in gross profit margin yielded from both our domestic and overseas accessories operations due to keen competition.

Plastics

Operating profit from the plastic business remained relatively stable in both financial years.

Unallocated corporate expenses

The amounts relate to staff costs and administrative expenses incurred in relation to the overseeing of the Group's operations both locally and overseas.



TAXATION

In July 2003, the Economic Development Board has granted a Development and Expansion Incentive under the International Headquarters (IHQ) Award to the Company. With the incentive, the Company enjoys a concessionary tax rate of 10% on its qualifying income for a period of 5 years commencing 1 January 2003.

The tax charge for the current year is lower than the amount obtained by applying the statutory income tax rate on profit before taxation mainly due to:

(i) qualifying income enjoying concessionary tax rate from the IHQ Award mentioned above;

(ii) varying statutory tax rates of different countries in which the Group operates; and

(iii) subsidiaries in the People's Republic of China is not subject to the Enterprise Income Tax for the current year.

Accounting Policies

The Group's financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act. The accounting policies and method of computation adopted have been consistently applied and are consistent with those used in the previous financial year.

In the previous financial year, the Group and the Company adopted FRS 41, Agriculture. FRS 41 establishes accounting and reporting standards for recognising and disclosing information on certain items relating to agriculture activity, including biological assets. It requires biological assets which meets recognition to be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sales cost. Gain or loss arising from these measurements should be included in the profit and loss for the period in which it arises. Where fair value of biological assets cannot be measured reliability, the biological assets should be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

The adoption of FRS 41 has no impact on the profit and loss account in FY 2002 as the number of breeder stocks (off-springs from existing brooder stocks) was insignificant. In FY 2003, with the acquisition of Kim Kang Aquaculture Sdn Bhd ("Kim Kang"), which carries thousands of brooder stocks for breeding purposes, the Group has breeder stocks amounting to approximately $1.5 million as at 31 December 2003, based on the fair value less estimated point-of-sales cost placed on each breeder stock held. Accordingly, the gain arising from the valuation of these breeder stocks has been included in the profit and loss account in FY 2003.

Risk Factors & Risk Management

BUSINESS 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 is uncommon. The Group has institutionalised a comprehensive health management and quarantine system for all the domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for the fishes. Currently, all of the Group's domestic and overseas fish operations have attained ISO 9002 certification.

With the completion of the acquisition of Kim Kang in the 2nd half of FY 2003, the Group is in the process of institutionalising its comprehensive health management and quarantine system in Kim Kang to minimise any problems regarding health care and hygiene. It should be noted that Kim Kang breeds mainly Dragon Fish which is a very robust and hardy fish existing since pre-historic times. Any disease or bacteria strong enough to affect the Dragon Fish is expected to be very rare.

PRODUCT RISK

In FY 2003, the Group's Dragon Fish sales contributed approximately 23% of its ornamental fish sales and less than 10% of the Group's total turnover. The Group sells over 500 species and varieties of ornamental fish and more than 5,000 types of accessories to more than 60 countries and is not reliant on the sale of any particular type or specimen of fish and accessories. Even after the acquisition of Kim Kang, the Group will not be reliant on the sale of the Dragon Fish because of the critical spread of fish it sells.

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. The operational risk management process is to minimise unexpected losses and manage expected losses. The Group currently operates in 6 countries with assets and activities spreading across the Asia Pacific. As at 31 December 2003, 57% of the Group's assets are located overseas as compared to 36% in FY 2002. Turnover from overseas' customers has also increased from 45% in FY 2002 to 56% in FY 2003.

In view of the Group's expansion plan, the percentage of its overseas assets and activities will continue to increase moving forward, thereby the effect of greater geographical diversification. A broader base of significant customers will reduce the risk of concentration in a single operation.

INVESTMENT RISK

The Group grows its businesses through organic growth of its existing activities, development of new capabilities (e.g. setting up retail chain stores) and through acquisitions of operating business entities. Investment activities are evaluated through performing of due diligence exercise and are supported by external professionals' advices. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.

INTEREST RATE RISK

The Group's cash balances are placed with reputable banks and financial institutions. Additional financing are obtained through bank borrowings and finance lease arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

LIQUIDITY RISK

The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations. To manage liquidity risk, the Group monitors its net operating cashflow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows.

FOREIGN EXCHANGE RISK

The foreign exchange risk of the Group arises from sales, purchases and borrowings that are denominated in foreign currencies. The currencies giving rise to this risk are primarily US dollar, Euro and Japanese Yen.

The Group does not have any formal hedging policy against foreign exchange fluctuations. However, the Group continuously monitors the exchange rates of the major currencies and enter into hedging contracts with banks from time to time whenever the management detect any movements in the respective exchange rates which may impact on the Group's profitability.

Foreign currencies received are kept in foreign currencies accounts and are converted to the respective measurement currencies of the group companies on a need-to basis so as to minimise the foreign exchange exposure.

CREDIT RISK

Credit risk is managed through the application of credit approvals, setting credit limits and monitoring procedures.

None of the customers or suppliers contributes more than 5% of the Group's turnover and purchases. It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. Cash terms, advance payments are required for customers with lower credit standing. Accordingly, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

DERIVATIVE FINANCIAL INSTRUMENT RISK

The Group does not hold or issue derivative financial instruments for trading purposes.

Investment For The Future

The Group's future growth depends on its ability to extract maximum potential from the overseas network and see them move from gestation to maturity both in the ornamental fish and accessories segment.

Accordingly, the Group has engaged in the following activities to enhance its competitiveness so as to achieve its vision objectives:

HUMAN RESOURCES

The biggest challenge for Qian Hu is always to get enough talent to execute its expansion plan. Therefore, the Group has formulated the following human resource strategies:

- Competitive employee: Designing innovative and flexible recruitment and retention strategies that effectively position Qian Hu as an employer of choice.
- Competent resource: Build a robust and effective manpower planning system, particularly to support company's globalisation and customer centric business direction and objectives.
- Learning and thinking workforce: Fostering a culture of learning, innovation, creativity, and continuous improvement in a team based environment.
- Family culture environment: Promoting and inculcating a one big family culture, resulting in an integral bond of trust and integrity to everything we do.

R&D PROJECT

The Group believes that in order to be ahead of the pack, it must excel in know-how. In the coming years, it is envisaged that there is an increasing demand for Dragon Fish in the region. The Group's position as an integrated fish service provider will be further strengthened by its recent collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish which will enable us to increase the production of Dragon Fish in the farms.

BRANDING PROJECT

Qian Hu has set up a Branding Committee chaired by one of its independent director, Mr Tan Tow Ee. Its committee members comprise the senior management of the Group, including the CEO. The Group will invest in a branding project supported by IE Singapore for a period of 4 years to create awareness of the "Qian Hu" name and to build a total image for the Group. With the setting up of more "Qian Hu - The Pet Family" chain stores in the various countries, it will also be able to enhance Qian Hu's brand name in the region.

CUSTOMERS RELATIONSHIP MANAGEMENT

As a knowledge company committed to automation and use of advanced technologies, Qian Hu's Customer Relationship Management's framework has provided an avenue for global networking, exchange of ideas, knowledge and best practices among investors, customers, suppliers, experts, hobbyist, etc where information is captured through forum, advertising, post, feedback form, sales enquiry, etc, and disseminated via internet applications, mass email broadcast and VoiceXML application.

CAPITAL EXPENDITURE

In FY 2003, capital expenditure incurred for infrastructure and farm facilities in both the Singapore and overseas entities amounted to $1.5 million. The expansion of production capacity in our Guangzhou factory also accounted for $0.3 million of the capital expenditure for the year.

Bulk of the capital expenditure in FY 2004 will be for the expansion of the Guangzhou manufacturing base and for the setting up of the retail chain stores in China, Thailand, Malaysia and Indonesia, in addition to the on-going maintenance of the farms facilities.

Cash Flows And Liquidity

CASH AND CASH EQUIVALENTS

As at 31 December 2003, the Group's cash and cash equivalents was $4.1 million, which is $3.7 million or 47% lower than FY 2002. The decrease is set out as follows:

	2003 $'000	2002 $'000
Cash generated from operating activities	987	4,678
Cash used in investing activities	(3,669)	(1,668)
Cash (used in) generated from financing activities	(1,014)	3,475
Net (decrease) increase in cash and cash equivalents	(3,696)	6,485

The Group's **net cash generated from operating activities** deteriorated for the year ended 31 December 2003 mainly due to:

- re-investment of funds into inventories and trade receivables balances for our overseas operations expansion
- our deliberate effort to settle outstanding debts and retire bills payable to bank earlier than its tenure as and when surplus funds are available in order to secure better purchasing terms and reduce financing costs
- higher amount of income tax paid in 2003 due to higher profit recorded for the financial year ended 31 December 2002

The **net cash used in investing activities** relate to cash payment made for the acquisition of Kim Kang of approximately $2.7 million in July 2003 as well as capital expenditure incurred for infrastructure and farm facilities in both the Singapore and overseas entities.

Following the acquisition of Kim Kang, an 8-year term loan was taken up to repay loans due to its minority shareholders. In addition, the payment of final dividend of approximately $1.0 million in April 2003 has resulted in the **net cash used in financing activities**. The cash generated from financing activities in FY 2002 mainly relate to proceeds received from a share placement exercise that year.

INDEBTEDNESS

The amount of Group's borrowings, which are unsecured, remained relatively constant as at the end of both financial years as set out below:

	2003 $'000	**2002 $'000**
Current		
Bills payable to banks	1,950	3,205
Finance lease obligations	313	358
Bank term loans	449	-
Bank overdraft	103	-
	2,815	3,563
Non-Current		
Finance lease obligations	651	709
Bank term loans	933	-
	1,584	709
Total Indebtedness	**4,399**	**4,272**
Debt-to-Equity ratio	0.45	0.56

Included in bank term loans are:

- a short term bank loan of $245,000, bears interest at 5.3% per annum and is repayable on 15 June 2004
- an 8-year term loan of $1.2 million, bears interest at 7.9% per annum and is repayable in 96 monthly instalments commencing July 2003

During the financial year, there were corporate guarantees given by the Company to banks for banking facilities extended to 2 subsidiaries amounting to $2.1 million. In addition, corporate guarantee of $138,000 was given by one of its subsidiaries to a bank for credit facilities granted to an associate. As at 31 December 2003, approximately $1.4 million had been utilised as shown in the above table.

In addition to the above, the Group has non-cancellable operating lease commitments relating to the premises for the fish farms in Singapore and China, office and factory premises for its local and overseas subsidiaries amounted to $1.1 million as at 31 December 2003, of which $0.2 million is due within 12 months.

Returns To Shareholders

EARNINGS PER SHARE (EPS)

The basic and diluted EPS for FY 2003 was 6.72 cents and 6.68 cents respectively. Compared to FY 2002, the basic and diluted EPS increased by 0.08 cents and 0.1 cents respectively. The increase is in line with the higher profit after tax recorded in FY 2003.

NET ASSET VALUE PER SHARE

The increase in net asset value per share from 27.4 cents in FY 2002 to 38.3 cents in FY 2003 reflects the value of net asset created for shareholders over the years.

DIVIDEND

The directors are pleased to recommend a gross final dividend of 0.6 cents per ordinary share of $0.10 each for the year ended 31 December 2003. In addition, to express appreciation to loyal shareholders for their continuing support for the Company, the directors proposed a bonus issue of 1 bonus share for every 5 existing shares held in the Company. In FY 2002, a special dividend of 0.6 cents per ordinary share was declared, in addition to the gross final dividend of 0.6 cents per ordinary share, in view of the 52% and 84% increase in the Group's turnover and profit after tax in that year respectively as compared to its previous year.

As the Group is still growing its operations, cash is needed for its expansion. On the other hand, the Company would like to reward its supportive shareholders. Therefore, it has not set 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. Payment of dividends is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

FINANCIAL CALENDAR

2003

20 Jan	Media & analysts briefing for FY 2002 results
28 Feb	Release of Annual Report 2002
18 Mar	Annual General Meeting
10 Apr	Payment of final dividends declared for 2002
21 Apr	Release of 1Q2003 results
21 Jul	Media & analysts briefing for 1H2003 results
20 Oct	Release of 3Q2003 results

2004

12 Jan	Media & analysts briefing for FY 2003 results
23 Feb	Release of Annual Report 2003
10 Mar	Annual General Meeting
2 Apr	Payment of final dividends declared for 2003
Apr	Release of 1Q2004 results
Jul	Media & analysts briefing for 1H2004 results
Oct	Release of 3Q2004 results

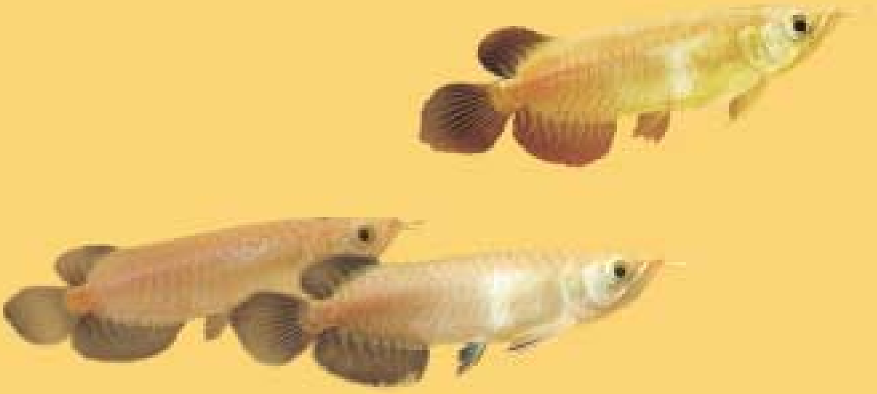
MAPPING THE FUTURE

Which specific male carries the fertilised eggs in his buccal cavity, or is it the work of a group of males?

How often the brooder stock mate?

Does increased frequency of mating encounters cause a decline in the quality of offspring? Do good-looking parents ensure good looking offsprings?

Is fertility higher when younger males mate with older females?



Mapping The Future

Imagine being able to know specifically which genes are necessary to provide new varieties of the highly-prized Asian Arowana (Scleropages formosus) and be assured of a 100% success rate. That dream will soon become reality as we understand the breeding behaviour of these endangered fish that are indigeneous to the equatorial regions, particularly, the Indonesian archipelago.

Up till now, farmers only had to rely on guesswork and their years of experience, and much more to the whims and fancies of Mother Nature. For centuries, breeders believed that Arowanas bred most frequently during monsoon seasons. We hope that our research will reveal the exact mating behaviours of this mysterious, pre-historic fish.

One of the limiting factors in increasing Dragon Fish production is the inability to determine the sex of the brooders. Identifying the gender of the Arowana is important in determining the sex ratio of the brooders to maximise breeding. In a collaboration with the Temasek Life Sciences Laboratories, Qian Hu has embarked on a novel approach in determining the breeding behaviour of its brooders. This project will enable us to be more effective in selective breeding and improving the quality of the future generations of the Dragon Fish.

Singapore is the ideal location to base such research as it has access to the latest in genetic research technology, plus the suitability of its climate which is very similar to the Arowana's natural habitat.

Samples of the brooders' tails are first clipped using sterile surgical scissors, placed in vials and then soaked in absolute alcohol, and frozen in minus 18 degrees Celsius in the laboratory. All of the proteins, fats and enzymes are removed, and DNA markers will identify DNA genotypes that are prevalent in the fish, and once these are identified, they are then put through PRC reactions to make multiple copies of the genetic sequences.

The various DNA genotypes are then tagged to the individual brooder's microchip number and kept for various analyses. The DNA information is useful for understanding their behaviour in the breeding ponds, which up till now, farmers have relied only on guess work. Through this research, breeders and farmers at Qian Hu will soon be able to ascertain to a greater degree of accuracy:

Which specific male carries the fertilised eggs in his buccal cavity, or is it the work of a group of males?

How often the brooder stock mate?

Does increased frequency of mating encounters cause a decline in the quality of offspring? Do good-looking parents ensure good looking offsprings?

Is fertility higher when younger males mate with older females?

Now commercial ornamental fish breeders can use this information to better determine the model ratio of the two genders to achieve the highest number of juvenile Arowana. This method offers a cheaper, simpler and efficient alternative to the traditional expensive DNA studies.

At Qian Hu, we believe that the continuation of our industry's success will depend on what we know about behaviour of our biological assets - the more we know, the higher are our chances of securing our future.

As such we launched a scholarship in January 2004 in collaboration with Temasek Life Sciences Laboratories (TLL). Funding for the scholarship is borne by Qian Hu while TLL will provide the equipment and facilities for all the research done by our doctoral student.

HOOKED ON INNOVATION

Over the years, the "never say die" and "can-do" attitude has seen Qian Hu grow by leaps and bounds and has become one of our key business strengths. Creativity sparks the way we run our often-perceived-as-a-traditional, low-technology business - after all, much can still be done to ensure that we safely deliver our ornamental fish all over the world and in the fastest possible way.

Since 2002, Qian Hu has initiated a long-term strategy to build a technology-driven organisation that maximises our business efficiencies across the board, aptly code-named FISH which is an acronym for:

Fast Fast response in an ever-changing business environment

Intelligent An innovative, smart organisation

Strong Unity amongst key stakeholders

Harmonious Deriving synergies

Why FISH?

Building intelligence into our automated operations is key to being more productive and efficient. After all, distributing live ornamental fish is no different from manufacturing chips, consumer electronics, pharmaceuticals or food production and distribution. In fact, in most instances, our consignments require even more time-critical logistical administration, and clockwork efficiency.

Knowledge is required to ensure that our fish make the journey across the four seas in the most comfortable state. Qian Hu recognises that knowledge is at the very core of enterprise value-creation. As we evolve into a truly knowledge-based corporation, we have identified the organisational, cultural and technological strands of our business processes and embarked on a programme to improve enterprise decision-making and maximise the creation of value. Such collaborative efforts span across and beyond our Singapore headquarters and to our regional bases in Malaysia, Thailand and the PRC. Moreover, information is shared amongst our customers and suppliers around the world, regardless of time and place. With new channels of information, dynamic management information systems begin to flow - the necessary ingredients for innovation. We are always finding new ways of doing the same thing or finding new ways to do.

Our operations are now even more efficient, thanks to an enhanced information technology backbone, with the ability to access remote IT systems worldwide.

In a bid to manage our customer service and shareholder relations a few notches higher, we collaborated with In-One Technology Pte Ltd to develop a VoiceXML application that provides the latest stock quotes, members' reward points information and a feedback channel through a multilingual, fully-automated phone hotline. A first in the industry, the voice application combines leading internet and telephony technologies.

Process Automation

Every week, thousands of bags containing over 500 species and varieties of our ornamental fish are distributed to our regional fish hubs in Asia as well as exported to more than 60 countries worldwide.

By leveraging on its rich knowledge base and engaging advanced mechanical and IT systems, Qian Hu has dramatically improved the productivity and quality of its packing operations which is fully automated and have capabilities to print bulk labels, track goods and generate business reports.

Laborious and tedious packing processes such as those for the high-valued Arowana or Dragon Fish are now a thing of the past. Recognizing the need to link our operations with other knowledge-based business processes in order to improve efficiency and reduce operating cost, our Group worked with In-One Technology Pte Ltd to develop an application that would capture data from the Arowana's embedded microchip as well as from a central knowledge base to generate labels on-the-fly, an innovation which increases efficiency of the operation by many-folds.

QIAN HU'S HUBS AND DISTRIBUTION NETWORK

- Singapore (Fish, Accessories & Plastic)
- Kuala Lumpur/Johor Bahru/Penang, Malaysia (Fish, Accessories, Retail Chain Stores) The Pet Family
- Bangkok, Thailand (Fish, Accessories, Retail Chain Stores) The Pet Family
- Beijing, PRC (Fish, Accessories, Retail Chain Stores) The Pet Family
- Guangzhou, PRC (Accessories, Retail Chain Stores) The Pet Family
- Tianjin, PRC (Retail Chain Stores) The Pet Family
- Shanghai, PRC (Retail Chain Stores) The Pet Family
- Taiwan (Accessories)
- Jakarta, Indonesia (Fish, Accessories, Retail Chain Stores) The Pet Family
- Our Export Markets

THE QIAN HU BUSINESS MODEL

Qian Hu is uniquely positioned as an integrated ornamental fish service provider, providing a one-stop service for domestic and international wholesalers, retailers and consumers.

Qian Hu is not just a breeder, distributor or manufacturer. The fact of the matter is, we are all of the above. Our business model hinges on the 4 pillars of core activities:

1 Ornamental Fish

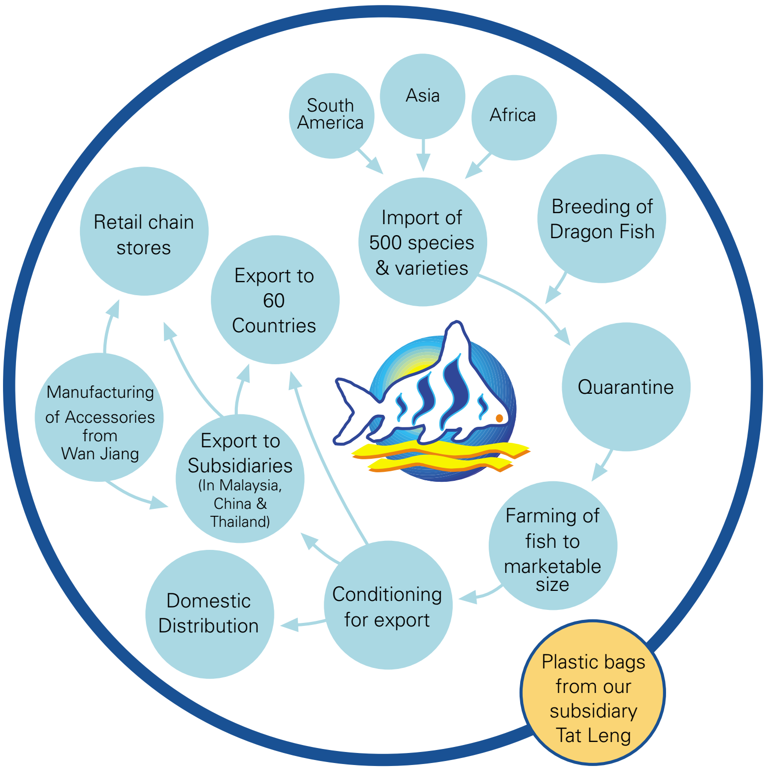
2 Aquarium & pet accessories

3 Export

4 Domestic distribution

Each of our business segments – whether it be the breeding of Dragon Fish, or the import, farming, export of ornamental fish; manufacture and distribution of aquarium and pet accessories, or production of plastic bags – are integral links within our total value chain.

As our business model is exportable, expandable and scalable, Qian Hu is differentiated from the rest of the competition in terms of its integrated services, brand, distribution network, manufacturing capabilities, and most importantly, its quality, innovation and service culture throughout the Group.



OUR STAKEHOLDERS

At Qian Hu, we have a number of stakeholders that we hold in high regard as absolutely important to the success, even survival, of our Group.

Our Staff

Our Customers

Our Community

Our Environment

Our Shareholders and Investors

Our Staff

What sets Qian Hu apart, however, is the strong cord of teamwork, camaraderie and commitment that is uniquely part of the Qian Hu culture. We believe that in an open work environment, where there are no barriers between management and staff, everyone becomes more productive and efficient. Not only is Qian Hu a fun place to work in, we have also inculcated a quality culture that is absolutely essential for us to deliver a standard of service that is second to none.

Our staff understand that in order to be a successful business, we must not only produce quality products and services, but be differentiated by our customer focus that pervades all that we do. These values are instilled in our staff through exemplary leadership, hands-on management, our ISO-certified quality procedures, and customer feedback. Qian Hu has a formal system in place where organisational quality values are communicated to the rank and file through the Quality Task Force comprising all divisional managers.

Our managers and quality champions are encouraged to upgrade their knowledge of quality practices by attending various seminars, and continually benchmarking against the best-in-class by participating in awards and competitions.

This year, we have intensified our service training with assistance from SPRING Singapore. In addition, we sent relevant staff for Proper Food Handling Certification, CREST Supervisory Programme, Forklift Training and various writing courses.

At Qian Hu, we adopt a transparent, consultative approach to management - continually seeking to explain our policy rationales, and encouraging staff participation and feedback. This is done with the objective of inculcating a strong sense of family and teamwork amongst all staff within the Group. We are working towards a "Work Hard, Play Hard" culture. After all, our motto is to bring fun to our customers.

The Qian Hu Work Culture

- A positive, supportive, fair environment
- Contributing staff are rewarded
- Staff who do not contribute are penalised
- Regular chill-out sessions
- Job enlargement and rotation
- Training

Our Customers

Customers are the lifeblood of any company, and Qian Hu is no different. To our retail customers as well as the many importers of ornamental fish that we deal with all over the world, we manage our relationships by ensuring close communications, but also delivering on what we promise - the ability to source for new varieties of fish, quality of delivery, the service, response time in processing orders. They in turn reciprocate by ensuring continual business with us, and importantly, paying us in the shortest possible time. Our trade debtors turnover hovered around 69 days in FY 2003.

At Qian Hu we have another group of customers whom we deem equally important - the hundreds of visitors to our farm each weekend. As part of the Singapore Tourism Board's Agrotourism network, Qian Hu is a favourite destination for locals and tourists alike. We have added a number of improvements such as a café offering a wide variety of snacks and beverages, as well as our comprehensive Fish Gallery, and an aquarium and pet accessories supermarket.

Our Community

In July 2003, Qian Hu hosted the first networking event for Action Community For Entrepreneurship (ACE) called Blue Sky Exchange, an informal gathering of entrepreneurs, would-be entrepreneurs, business angels, venture capitalists, bankers, lawyers and consultants. Mr Raymond Lim, Minister of State for Foreign Affairs and Trade & Industry as well as Minister of State in charge of Entrepreneurship as well as panel members Ms Elim Chew, Managing Director of 77th Street; Mr Ong Peng Tsin, President and CEO of Encentuate Pte Ltd, and Mr Kwek Leng Beng, Executive Chairman of Hong Leong Group Singapore, fielded questions from the 500 participants who attended the event held at our farm.

This year, besides being involved in raising the level of awareness of our business and industry by giving talks to various schools, tertiary institutions, government ministries, statutory boards and international conventions, Qian Hu has also participated in a novel programme to broaden the outlook of education professionals in Singapore to acquaint them with the running of a global operations such as ours. The Education Ministry had earlier launched a programme to broaden and enrich its teachers' depth and breadth of industry experience outlook sending them on at attachments to private companies and community organisations or to overseas schools to teach. In turn, they can impart what they have learnt to their students and prepare them for the working world. This programme involves the teachers being immersed in a crash course about the ornamental fish industry, and to teach them about marketing, managing people and operational efficiency. In turn, Qian Hu benefits from the fresh perspectives that these teachers will be able to bring, and even suggest improvements to our business.

Just as our business is to provide a sense of well-being for those who appreciate caring for their ornamental fish, we are continually mindful of the plight of the underprivileged in our society. While we regularly host the aged and the underprivileged to lunch whenever they visited our farm, we also encourage our staff to participate in community outreach projects, Qian Hu contributes a dollar for every dollar that our staff pledge from their monthly salaries. In addition, our staff are involved in the SHARE programme and various fund-raising activities for certain charities. Apart from regular visits to homes for the aged every two months, our staff also provide opportunities for them to visit our farm. During the year in review, the total contribution to charity from our employees and the Company amounted to approximately $55,000.

And our community outreach efforts are not restricted to humans either. Qian Hu Aquarium And Pets (M) Sdn Bhd, our subsidiary in Malaysia, has regularly donated dog food to animal shelters in the area.

Our Environment

The successful commercial breeding of South America's biggest fish, the Araipaima, protected by United Nation's, CITES II, scores another major achievement for Qian Hu, who has a well-established breeding programme for the Dragon Fish, another endangered fish protected under CITES I.

Afterall, at Qian Hu, we are keenly aware of our responsibility towards the environment as it is inextricably linked to our business of promoting ornamental fish as a hobby of choice. We aim to be a responsible company, balancing our business goal of creating sustainable value with a strong commitment to containing the environmental impact of our activities to a practicable minimum.

Since 1997, we have had an integrated, ISO 14000 Environmental Management System in place to minimise the stress that our operations may have on the environment - such as the recycling of rain water for use in our operations thereby reducing our reliance on potable water, and cutting down on the usage of plastic bags where possible. In so doing, we have set clear environmental goals and objectives that are closely monitored according to the guidelines set out in our environment policy:

- To comply with all applicable laws, regulations and standards. We will also collaborate with the authorities and with other companies of the sector to develop standards and practical guides aimed at protecting natural resources, and the environment.
- To undertake programmes of continual improvements and prevention of pollution.
- To reduce the use of environmental unfriendly packing materials and strive to develop alternative by adopting new technologies, when available.
- To reduce resource consumption and waste generation.
- To provide the necessary training and support to staff to ensure that they are able to fulfil the commitments.
- Undertake reviews to ensure compliance with this policy.

Our Shareholders And Investors

This year, Qian Hu was fortunate to win the Most Transparent Company Award from the Securities Investors Association (Singapore) for the third consecutive year. Imagine our elation at winning another specially created award - The Golden Circle (Special Merit) Award, an honour that we shared with Singapore Telecommunications Limited who won The Golden Circle overall award.

We are also gratified to receive special recognition at the inaugural Best Managed Board Awards - Special Attention organised by the Singapore Institute of Directors and the Business Times.

Since our listing in 2000, we were fully committed to our responsibility to being fully transparent to our shareholders and the investing public. We led the pack in a number of initiatives such as:

- Being the first listed company, to record shareholders' comments and questions asked and to make available the minutes of our Annual General Meeting which we posted on the MASNET as well as on our website so that shareholders who were not able to attend the AGM would be able to ask questions and give comments via fax, email, telephone hotline or through postings on our website
- The first listed company to initiate an online open forum on Shareinvestor.com, where investors could have a dialogue with us, resulting in a deeper appreciation of our business and our industry. We were also among the first to invite the Shareinvestor.com forumers to our half-year and full-year results briefings
- One of the earliest listed companies to embrace quarterly reporting
- Regular presentations to dealers, remisiers and clients of major broking houses. Accessibility to the media and key stakeholders in the investment community has become an important feature of Qian Hu's investor relations commitment. For instance, investors can get regular updates through a dedicated Investors Corner on our website, www.qianhu.com
- Enhancing the role of Annual Reports - to educate our shareholders about our industry not only in Singapore, but the region and beyond

Our continual commitment to excellence has won us recognition in all areas.

Most Trasparent Company Award
Services/Utilities/Agriculture category

September 2003

Awarded by Securities Investors Association (Singapore)

Most Trasparent Company Award
Golden Circle Special Merit Award

September 2003

Awarded by Securities Investors Association (Singapore)

Best Managed Board Award
(Special Mention)

November 2003

Awarded by Singapore Institute of Directors, Hewitt Associates, The Business Times and Singapore Business Federation

International Headquaters Award

2003

Awarded by Ministry for Trade and Industry

Investor relations aside, we are also committed to our public responsibility. Our farm at Sungei Tengah Agrotechnology Park, which is part of the Singapore Tourism Board's agro-tourism network, is open to the public where they can gain a better appreciation of our core operations and industry.

Qian Hu's history can be traced back to the early days of the Company's pioneers, two brothers who were in the pig farming business – Mr Yap Tik Huay, the father of the Group's Executive Chairman Kenny Yap, and his brother Yap Hey Cha.

In 1985, their pig farm was eradicated due to the Government's move to stem pollution and free up more land for residential development. At that point in time, Tik Huay's three sons, Yap Peng Heng, Yap Hock Huat and Yap Kim Choon joined the family business. They converted the old pig pens into concrete ponds and started breeding guppies for the local fish exporters. However, in 1989, during a heavy thunderstorm, their entire stock of guppies was washed away.

Having to start all over again, and with a new name "Qian Hu" – which means a thousand lakes in Chinese, Kenny and two of his cousins, Alvin and Andy, were more than ever determined to put their collective efforts towards rebuilding Qian Hu.

Little did they realise, however, that they were in for another setback.

After their failure in rearing guppies, they went on to farm high-fin loaches despite knowing very little about this particular variety of fish. In one fell swoop, their entire stock of 4,000 loaches died. They lost almost everything, except for their resolve, mettle and drive to succeed. Since then, however, they learnt from this lesson, realising their mistake of not diversifying risks, and not knowing enough about their products. In fact, this lesson was so valuable to them that the high-fin loach became Qian Hu's mascot to serve as a daily reminder of where they were, and where they never wanted to be again.

In 1990, Qian Hu expanded into the local wholesale distribution business, and increased its range of ornamental fish to include Discus, Chichlid, and Gourami. It also began diversifying into the aquarium accessories business. Two years later, Qian Hu started exporting to the rest of the world, a journey that helped position Singapore as a major player in the export of ornamental fish.

In 1993, Qian Hu entered into a joint venture with The China Aquaculture Society and incorporated Beijing Qianyang Aquarium Co., Ltd, based in Beijing, to supply cold-water ornamental fish and aquarium accessories to Northern China. Two years later, Qian Hu acquired full ownership of the joint venture company.

In 1995, a year after the move to its present location within Sungei Tengah Agrotechnology Park, Qian Hu developed quality systems for its operations, leading to three ISO 9002 certifications for conditioning and packing of ornamental fish for export (1996); the trading, quarantine and breeding of Dragon Fish (1997), and the retail and wholesale of aquarium accessories and pet products (2000).

The farm was landscaped in such a way that runoffs from heavy rainfall would not affect the fish stock and breeding ponds. This unique system of recycling water won Qian Hu the ISO 14001 certification for its environmental management system involved in importing, exporting, conditioning, distributing and farming of tropical fish in 1998.

1997 was also an exciting year for Qian Hu. During that year, its proprietary auto-packing machines for the packing of ornamental fish – a project encouraged by the Agri-food and Veterinary Authority of Singapore (AVA), and partially funded by the EDB Innovative Development Scheme – was launched. This was followed by Qian Hu's admission into the Productivity and Standards Board's Promising Small and Medium Enterprises Programme, which helped the Group formulate and develop its strategic business plan.

Since 1999, Qian Hu began distributing aquarium and pet accessories to Malaysia, China and Thailand. Much growth was expected in this business as for every dollar spent on ornamental fish, five more would be spent on accessories.

The year 2000 not only marked the beginning of the new millennium, it was also the year that Qian Hu Corporation Limited was listed on the Singapore Exchange's SESDAQ.

Its goal is to create shareholders' value by becoming a world-class ornamental fish and accessories company, through its spirit of innovation as well as product and service quality. In just a year after its public listing, Qian Hu was honoured for its commitment towards good corporate governance and transparency when it was voted one of the most transparent companies (SESDAQ/Small Caps – up to $100 million category) by the Singapore Investors Association (Singapore).

A joint venture company in Guangzhou, Wan Jiang Technology Co Ltd, was established in 2001 together with a Taiwanese partner, to produce the Group's proprietary brands of aquarium and pet accessories as well as other third party

brands. These accessories were being distributed throughout the Group's regional subsidiaries, and other countries such as Japan, Germany, United Kingdom and beyond. Qian Hu subsequently increased its stake in Wan Jiang to 60% a year later, thus making it a subsidiary of the Group.

In that same year, the Group set up a new subsidiary in Thailand – Thai Qian Hu Company Limited – which had received approval from the country's Board of Investments to export and distribute tropical fish.

2002 was an extremely eventful year for Qian Hu as it was transferred to the main board of the Singapore Exchange in November. Its corporate achievements were also broad-based, such as one of the Most Transparent Companies (SESDAQ/Small Caps) by Singapore Investors Association (Singapore) for the second time running; Most Admired Company on SESDAQ; highly commended for Best Overall Investor Relations award by IR Asia and Asian Wall Street Journal; first runner-up in the Best Annual Report Award (SESDAQ category) as well as being among the top 3 "Best Small Companies" in a poll organised by Asiamoney.

That was also the year that a new fish division in Qian Hu (Malaysia) was set up and a new associate company, Jin Jien Hsing Enterprises Ltd, a distributor of pet foods in Taiwan, joined the Group.

In 2003, Qian Hu made a step towards backward integration by acquiring a leading Dragon Fish breeder in Batu Pahat, Malaysia – Kim Kang Aquaculture Sdn Bhd. This helps to secure a consistent and reliable supply of the highly-prized Arowana for our overseas subsidiaries as well as new markets in Taiwan and the PRC.

Beijing Qian Yang and Guangzhou Wan Jiang in 2003, joined the many of Qian Hu's overseas units such as Qian Hu Tat Leng, Qian Hu (Malaysia) and Thai Qian Hu, to receive the international mark of quality – ISO 9002.

To improve the communications with customers, investors and shareholders, an intelligent customer service phone hotline, Qian Hu Voice, was launched. With this system, callers are able to get information on their reward points, give feedback and even obtain the latest Qian Hu stock quotes in real-time.

In 2003, Qian Hu was granted a Development and Expansion Incentive under the International Headquarters Award from the Economic Development Board. With this incentive, we enjoy a concessionary tax rate of 10% on the qualifying income for 5 years beginning 1 January 2003.

The Group continued to be recognised for its corporate governance and transparency efforts, culminating in our winning a Special Mention Award in the Best Managed Board Awards; the Most Transparent Company Award from Securities Investor Association (Singapore) for the third consecutive year, as well as the "Golden Circle Special Merit Award" in the SIAS Investors' Choice Awards 2003.

Qian Hu added another hub in our distribution network in January 2004, following the signing of a definitive agreement with PD Natura Indonesia to establish our latest subsidiary, PT Qian Hu Aquarium & Pets Indonesia. This makes Qian Hu the first aquatic company in the world that is able to supply ornamental fish to the global market from five countries in Asia - namely, Singapore, Malaysia, Indonesia, Thailand and China.

2004 will also mark the launch of our new chain store concept "Qian Hu - The Pet Family" in Jakarta, Bangkok, Shanghai, Tianjin, Beijing, Penang and Johor Bahru. We plan to aggressively expand our network of retail chain stores to more than 100 stores within the next five years. The chain stores will sell both ornamental fish and related aquarium and pet accessories with some stores also offering pet grooming services.

REPORT ON CORPORATE GOVERNANCE

The Board of Directors and Management are committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Code of Corporate Governance (the "Code") issued by the Corporate Governance Committee in 2002. Good corporate governance is an integral element of a sound corporation and enables a company to be more transparent and forward-looking. In addition, sound corporate governance is an effective safeguard against fraud and dubious financial engineering. This helps the Company creates long-term value and returns for the shareholders.

This report outlines the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to each of the principles of the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company.

The Board of Directors (the "Board") comprises three executive directors and three independent directors, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Company.

The primary function of the Board is to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board oversees the formulation of the Group's long-term strategic objectives and directions, reviews and approves the Group's annual business and strategic plans and monitors the achievement of the Group's corporate objectives. It also oversees the Management of the Group's business affairs and conducts periodic reviews of the Group's financial performance.

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's quarterly results and interested person transactions of a material nature.

The full Board meets regularly on a quarterly basis and ad-hoc Board meetings are convened as and when they are deemed necessary. In the course of the year under review, the number of board meetings held and attended by each board member is as follows:

Name of director	Number of Board Meetings held	Attendance
Kenny Yap Kim Lee (Chairman)	4	4
Alvin Yap Ah Seng	4	4
Andy Yap Ah Siong	4	4
Robson Lee Teck Leng	4	4
Chang Weng Leong	4	4
Tan Tow Ee	4	4

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Executive Committee, an Audit Committee, a Nominating Committee and a Remuneration Committee. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

The Executive Committee was established in July 2000. It is chaired by Mr Kenny Yap Kim Lee and comprises all the executive directors and two key members of the Group's Management team. The Executive Committee is entrusted with the conduct of the Group's business and affairs, in line with the overall strategy set by the Board. The Committee meets on a monthly basis and on such other occasions where necessary.

The number of meetings held and attendance at the meetings during the last financial year were as follows:

Name of director / executive	Appointment	Number of meetings held	Attendance
Kenny Yap Kim Lee (Chairman)	Executive Director	12	12
Alvin Yap Ah Seng (Member)	Executive Director	12	12
Andy Yap Ah Siong (Member)	Executive Director	12	12
Low Eng Hua (Member)	Group General Manager	12	5 (on overseas posting)
Lai Chin Yee (Member)	Group Financial Controller	12	12

Details of the Nominating Committee, Remuneration Committee and Audit Committee are set out on pages 54, 56 and 58 of this Annual Report respectively.

All directors undergo relevant training to develop the requisite individual skills. Newly appointed directors are given training appropriate to the level of their previous experience and are provided with extensive background information about the Group's history, mission and values. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of business operations. The Board as a whole is updated on risks management and the key changes in the relevant regulatory requirements and accounting standards.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six directors of which three are independent directors. They are Mr Robson Lee Teck Leng, Mr Chang Weng Leong and Mr Tan Tow Ee. The criterion of independence is based on the definition given in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs. With half of the directors deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues. Furthermore, the Board will be able to interact and work with the Management team through a robust exchange of ideas and views to help shape the Company's strategic direction.

The composition of the Board is reviewed on an annual basis by a Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Committee, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The Board then nominates the most suitable candidate who is only appointed to the Board by the Company at a general meeting.

The Board is of the view that its current composition of six directors is appropriate taking into account the scope and nature of the operations of the Company.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Group's Executive Chairman and CEO, Mr Kenny Yap Kim Lee, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. He is responsible for the day-to-day running of the Group as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and Management. As the Chairman and CEO, he also schedules Board meetings, oversees the preparation of the agenda for Board meetings and ensures the Group's compliance with the Code.

All major decisions made by the Executive Chairman and CEO are reviewed by the Audit Committee. His performance and appointment to the Board is reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and the Remuneration Committee comprise only of the independent directors of the Company. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

The Board established the Nominating Committee in July 2002. The Nominating Committee comprises the three independent directors of the Company, viz Mr Tan Tow Ee as the chairman, and Mr Robson Lee Teck Leng and Mr Chang Weng Leong as members.

The responsibilities of the Nominating Committee are to determine the criteria for identifying candidates and reviewing nominations for the appointment of directors to the Board and also to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

In addition, the Nominating Committee also performs the following functions:

- assess the contribution of each individual director to the effectiveness of the Board;
- re-nominate any director, having regard to the director's contribution and performance;
- determine on an annual basis whether a director is independent;
- decide whether a director is able to and has been adequately carrying out his or her duties as a director of the Company, particularly where the director has multiple board representations; and
- identify gaps in the mix of skills, experience and other qualities required in an effective board so as to better nominate or recommend suitable candidates to fill the gaps.

A member of the Nominating Committee holds office till the next Annual General Meeting following that member's appointment and may, subject to the prior approval of the Board, be re-appointed to such office. Where, by virtue of any vacancy in the membership of the Nominating Committee for any reason, the number of members of the Nominating Committee is reduced to less than three (or such other number as may be determined by the Singapore Exchange), the Board shall, within three months thereafter, appoint such number of new members to the Nominating Committee. Any new member appointed shall hold office for the remainder of the term of office of the member of the Nominating Committee in whose place he or she is appointed.

The Nominating Committee regulates its own procedures and in particular the calling of meetings, notice to be given of such meetings, the voting and proceedings thereat. The Company also maintains records of the deliberations and proceedings of the Nominating Committee.

The number of meetings held and attendance at the meetings during the last financial year were as follows:

Name of director	**Appointment**	**Number of meetings held**	**Attendance**
Tan Tow Ee (Chairman)	Independent	1	1
Robson Lee Teck Leng (Member)	Independent	1	1
Chang Weng Leong (Member)	Independent	1	1

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's Articles of Association, one-third of the directors are to retire from office by rotation at the Company's Annual General Meeting ("AGM"). In addition, Article 88 of the Company's Article of Association provides that a director appointed during the year will hold office only until the next AGM and will be eligible for re-election.

Under the existing Articles of Association of the Company, the Managing Director is not subject to retirement by rotation. In accordance with the guidelines set out in the Code, it is proposed that the Company's Articles of Association be amended to provide that all directors, including the Managing Director, be subject to retirement by rotation and eligible for re-election.

The dates of initial appointment and last re-election of each director, together with their directorship in listed companies are set out below:

Name of director	**Appointment**	**Date of initial appointment**	**Date of last re-election**	**Directorships in listed companies**
Kenny Yap Kim Lee, Age: 38	Executive / non-independent	12 December 1998	Not applicable	Qian Hu Corporation Limited
Alvin Yap Ah Seng, Age: 38	Executive / non-independent	12 December 1998	18 April 2002	Qian Hu Corporation Limited
Andy Yap Ah Siong, Age: 37	Executive / non-independent	12 December 1998	16 May 2001	Qian Hu Corporation Limited
Robson Lee Teck Leng, Age: 35	Non-executive / independent	18 October 2000	18 March 2003	Qian Hu Corporation Limited Sim Lian Group Limited Serial System Limited
Chang Weng Leong, Age: 41	Non-executive / independent	18 October 2000	18 March 2003	Qian Hu Corporation Limited
Tan Tow Ee, Age: 41	Non-executive / independent	1 May 2002	18 March 2003	Qian Hu Corporation Limited

Other key information on the individual directors of the Company is set out in pages 14 and 15 of this Annual Report. Their shareholdings in the Company are also disclosed on page 62 of the Directors' Report. None of the directors hold shares in the subsidiaries of the Company.

It is the Company's policy that a director should not hold more than 4 directorships in listed companies.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Nominating Committee has established a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. It considers a set of quantitative and qualitative performance criteria in evaluating the Board's performance which has remained unchanged from the previous year. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Code.

The Board and the Nominating Committee have endeavoured to ensure that directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business, so as to enable the Board to make sound and well-considered decisions.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management. All directors have unrestricted access to the Company's records and information. They also receive monthly management accounts to enable them to exercise oversight over the Group's financial position.

The agenda for Board meetings is prepared in consultation with the Executive Chairman. Detailed Board papers are prepared for each meeting and are normally circulated a week in advance of each meeting. The Board papers include sufficient background explanatory information from the Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Such explanatory information may also be in the form of briefings to the directors or formal presentations made by senior management staff in attendance at Board meetings, or by external consultants engaged on specific projects.

The Board has separate and independent access to the Company Secretary and to other senior management executives of the Company and of the Group at all times in carrying out their duties.

The Board takes independent professional advice as and when necessary to enable it or the independent directors to discharge its or their responsibilities effectively. Subject to the approval of the Chairman, each director has the right to seek independent legal and other professional advice, at the Company's expense, to assist them in their duties.

The Company Secretary attends all Board meetings and meetings of the Board committees of the Company and ensures that Board procedures are followed and that applicable rules and regulations are complied with.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee was established in July 2002 and comprises the three independent directors of the Company and is chaired by Mr Chang Weng Leong. It meets at least once annually. The Committee has access to expert advice in the field of executive compensation outside the Company where required.

The number of meetings held and attendance at the meetings during the last financial year were as follows:

Name of director	Appointment	Number of meetings held	Attendance
Chang Weng Leong (Chairman)	Independent	1	1
Robson Lee Teck Leng (Member)	Independent	1	1
Tan Tow Ee (Member)	Independent	1	1

The Remuneration Committee reviews and approves recommendations on remuneration policies and packages for key executives. The review covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind. The Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, retain and motivate the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The executive directors do not receive directors' fees. The remuneration for the executive directors and the key senior executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The service contracts entered into with the executive directors were renewed on 1 January 2004 for a period of three years. The service contracts provide for termination by either the executive director or the Company upon giving written notice of not less than six months.

The annual reviews of the compensation of directors are carried out by the Remuneration Committee to ensure that the remuneration of the executive directors and senior management is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other senior executives) is reviewed periodically by the Remuneration Committee and the full Board.

The Remuneration Committee also administers the Qian Hu Post-IPO Employees' Share Option Scheme (the "ESOS") which was implemented on 8 November 2000 as a share incentive scheme. None of the Directors of the Company or the controlling shareholders of the Company is entitled to participate in the ESOS. Details of the ESOS are set out in the Directors' Report on pages 63 to 66.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

The breakdown of remuneration of the Directors of the Company for the year ended 31 December 2003 is set out below:

Name of director	*Salary $'000	*Bonus $'000	Directors' fees $'000	Total $'000
Kenny Yap Kim Lee, CEO	170	-	-	170
Alvin Yap Ah Seng, Executive	161	-	-	161
Andy Yap Ah Siong, Executive	167	-	-	167
Robson Lee Teck Leng, Independent	-	-	10	10
Chang Weng Leong, Independent	-	-	10	10
Tan Tow Ee, Independent	-	-	10	10
	498	**-**	**30**	**528**

* The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contributions. None of the directors of the Company are entitled to participate in the ESOS.

Details of remuneration paid to the top 10 executives of the Group (who are not directors) during the last financial year are set out below:

Name of executive	*Total Remuneration $'000
Yap Ping Heng	140
Yap Hock Huat	140
Yap Kim Choon	140
Goh Siak Ngan	152
Lai Chin Yee	132
Low Eng Hua	109
Thomas Ng Wah Hong	85
Jimmy Tan Boon Kim	128
Lee Kim Hwat	112
Alex Chuang	90

* Remuneration amounts are inclusive of salary, bonus, allowances and Central Provident Fund contributions. There was no share options granted to employees during the financial year.

Mr Yap Ping Heng, Mr Yap Hock Huat and Mr Yap Kim Choon are the brothers of Mr Kenny Yap Kim Lee, CEO. They are also cousins of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the executive directors.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board is accountable to the shareholders while the Management is accountable to the Board.

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. The Management currently provides the Board with management accounts of the Group's performance, position and prospects on a monthly basis.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee, chaired by Mr Robson Lee Teck Leng, was established in October 2000. All three members are independent directors of the Company, who bring with them invaluable managerial and professional expertise in the financial, legal and business management spheres. The Audit Committee meets regularly with the Group's external and internal auditors and its executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group.

The Audit Committee also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses the accounting implications of major transactions. In addition, the Committee advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its reports.

Specifically, the Audit Committee:

- reviews the audit plans and scope of audit examination of the internal and external auditors and evaluates their overall effectiveness through regular meetings with each group of auditors;
- reviews the adequacy of the internal audit function;
- determines that no restrictions are being placed by Management upon the work of the internal and external auditors;
- evaluates the adequacy of the internal control systems of the Group by reviewing written reports from the internal and external auditors, and Management's responses and actions to correct any deficiencies;
- evaluates the adherence to the Group's administrative, operating and internal accounting controls;
- reviews the annual and quarterly financial statements and announcements to shareholders before submission to the Board for adoption;
- ensures the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Company;
- reviews interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders; and
- considers other matters as requested by the Board.

The Audit Committee is authorised to investigate any matter within its terms of reference, and has full access to the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive management to attend its meetings. Annually, the Audit Committee meets with the internal auditors and the external auditors separately, without the presence of the Management. This is to review the adequacy of audit arrangements, with particular emphasis on the observations of the auditors, the scope and quality of their audits and the independence and objectivity of the auditors. The Audit Committee has reviewed the non-audit services provided by the external auditors, which comprise tax services, and is satisfied with the independence of the external auditors.

The number of meetings held and attendance at the meetings during the last financial year were as follows:

Name of director	Appointment	Number of meetings held	Attendance
Robson Lee Teck Leng (Chairman)	Independent	4	4
Chang Weng Leong (Member)	Independent	4	4
Tan Tow Ee (Member)	Independent	4	4

Internal Control

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle. Having identified the risks to the achievement of their strategic objectives, each business is required to document the Management and mitigating actions in place and proposed in respect of each significant risk.

During the financial year, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the various systems put in place by Management and is satisfied that there are adequate internal controls in the Company.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the Management and the internal audit function which is out-sourced to an international public accounting firm. The internal audit function reports primarily to the Chairman of the Audit Committee.

The internal auditor plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the Audit Committee for approval prior to the commencement of the audit. The Audit Committee reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Greater Shareholder Participation

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company does not practise selective disclosure. In line with the continuous disclosure obligations of the Company pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Board's policy is that all shareholders should be regularly and timely informed of all major developments that impact the Group.

Pertinent information is communicated to shareholders on a regular and timely basis through:

- the Company's annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Companies Act and the Singapore Financial Reporting Standards;

- quarterly financial statements containing a summary of the financial information and affairs of the Group for the period. These are published on the MASNET and in news releases;
- notices of and explanatory memoranda for annual general meetings and extraordinary general meetings;
- press and analyst briefings for the Group's half-year and full-year results as well as other briefings, as appropriate;
- press releases on major developments of the Group;
- disclosures to the Singapore Exchange; and
- the Group's website at www.qianhu.com from which shareholders can access information on the Group. The website provides, *inter alia*, corporate announcements, press releases, annual reports, and profiles of the Group.

In addition, shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation and for them to be kept up to date as to the Group's strategies and goals. The notice of the AGM is despatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 working days before the meeting. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues and ask the directors or Management questions regarding the Company and its operations. In the AGM held in March 2003, the Board developed several channels, such as the Group's website, an automated hotline, email or fax, for the shareholders, who were not able to attend the AGM, to contribute their feedback and inputs. Questions received are answered during the AGM and the AGM minutes were posted onto the Group's website and on the MASNET after the meeting.

The Board supports the Code's principle to encourage shareholder participation. The Articles allow a shareholder of the Company to appoint one or two proxies to attend the AGM and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

The Chairmen of the Audit, Remuneration and Nominating Committees are normally available at the AGM to answer those questions relating to the work of these Committees. The external auditors are also present to assist the directors in addressing any relevant queries by the shareholders.

(E) DEALING IN SECURITIES & COMPLIANCE WITH BEST PRACTICES GUIDE

The Group has adopted and implemented the Singapore Exchange Best Practices Guide in relation to the dealing of shares of the Company. The Group has procedures in place prohibiting directors and executives of the Group from dealing in the Company's shares during the periods commencing one month prior to the announcement of the Group's quarterly, half-yearly and full year results and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Group. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

The Board of Directors confirms that for the financial year ended 31 December 2003, the Company has complied with the principal corporate governance recommendations set out in the Best Practices Guide issued by the Singapore Exchange.

(F) INTERESTED PERSON TRANSACTIONS

Disclosure of interested party transactions is set out in page 107 of this Annual Report. When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:

- The Board of Directors meets quarterly to review if the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9.
- The Audit Committee also meets once every three months to review if the Company will be entering into an interested person transaction, and if so, the Audit Committee ensures that the relevant rules under Chapter 9 are complied with.

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DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited financial statements of Qian Hu Corporation Limited (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 December 2003.

Directors

The directors of the Company in office at the date of this report are as follows:

Kenny Yap Kim Lee
Alvin Yap Ah Seng
Andy Yap Ah Siong
Robson Lee Teck Leng
Chang Weng Leong
Tan Tow Ee

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, particulars of interest of the directors who held office at the end of the financial year in the shares or debentures of the Company and related corporations were as follows:

	Direct interest			Deemed interest		
	1 January 2003	**31 December 2003**	**9 January 2004**	**1 January 2003**	**31 December 2003**	**9 January 2004**
The Company						
Ordinary shares of $0.10 each fully paid						
Kenny Yap Kim Lee	4,697,605*	4,697,605*	4,697,605*	-	-	-
Alvin Yap Ah Seng	5,191,560*	5,191,560*	5,191,560*	33,000	33,000	33,000
Andy Yap Ah Siong	5,191,560*	5,191,560*	5,191,560*	148,500	148,500	148,500
Robson Lee Teck Leng	33,000	33,000	33,000	-	-	-
Chang Weng Leong	33,000	33,000	33,000	-	-	-
Tan Tow Ee	100,000	100,000	100,000	100,000	100,000	100,000

** Include 700,000 ordinary shares under nominee name.*

The Singapore Exchange Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interests of each director of the company in the share capital of the company. As the Directors' Report of the Company is dated 12 January 2004, the Company is unable to comply with the 21 days' requirement. However, for the purpose of best practice, the Company has disclosed the direct and deemed interests of each director of the Company at the last business trading day before the date of the Directors' Report.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share options

(a) Qian Hu Pre-IPO Employees' Share Option Scheme (the "Pre-IPO Scheme")

The Pre-IPO Scheme was approved and adopted at the Company's Extraordinary General Meeting held on 9 October 2000 to enable eligible employees of the Group, other than directors and controlling shareholders of the Company, to participate in the equity of the Company.

The Pre-IPO Scheme is administered by the Pre-IPO Option Committee, consisting of an executive director and non-executive directors of the Company as follows:

(i) Kenny Yap Kim Lee
(ii) Chang Weng Leong
(iii) Robson Lee Teck Leng

On 25 October 2000, the following 3,332,000 options were granted to 93 employees of the Group to subscribe for ordinary shares of the Company of $0.10 each at an exercise price of $0.24 per share ("Pre-IPO options"). Of this amount, 506,000 shares were granted to 10 employees of the Group who are immediate family members of certain directors of the Company.

Option category	No. of holders	Exercise period	Exercise price (per share)	No. of shares under option
Grade C (Entry and mid-level)	41	8/11/2000 - 24/10/2010	24 cents	506,000
Grade B (Manager)	34	8/11/2001 - 24/10/2010	24 cents	1,482,000
Grade A (Senior Manager)	18	8/11/2001 - 24/10/2010	24 cents	1,344,000
	93			3,332,000

The options granted to associates of the Company's controlling shareholders under the Pre-IPO Scheme are as follows:

Name of participant	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year	Aggregate options exercised/ cancelled since commencement of scheme to end of financial year	Aggregate options outstanding as at end of financial year
Yeo Bee Choo	-	76,000	(76,000)	-
Liu Gim Hong	-	76,000	(76,000)	-
Tan Ah Moi	-	46,000	(46,000)	-
Ng Ah Pun	-	14,000	(14,000)	-
Yap Hey Cha	-	12,000	(12,000)	-
Lim Lee Seng	-	12,000	(12,000)	-
Yap Ah Hoi	-	42,000	(42,000)	-
Yap Ai Choo	-	76,000	(76,000)	-
Yap Ai Tin	-	76,000	(45,000)	31,000
Yap Saw Chin	-	76,000	(45,000)	31,000
	-	506,000	(444,000)	62,000

In respect of options granted to employees of related corporations, no options were granted during the financial year and a total of 865,000 options were granted from the commencement of the Pre-IPO Scheme to the end of the financial year, of which 110,000 options were cancelled due to resignation of employees.

Options Granted

No participant has received 5% or more of the total number of options available under the Pre-IPO Scheme. There were no options granted under the Pre-IPO Scheme during the financial year.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

Issue of Shares Under Options

During the financial year, there were 374,000 ordinary shares issued pursuant to the exercise of the Pre-IPO options.

Unissued Shares Under Options

At the end of the financial year, there were 228,000 unissued ordinary shares of the Company under options granted, exercisable at $0.24 per share on or before 24 October 2010 unless any of such option is cancelled or has lapsed. The movements of share options outstanding are disclosed in Note 30 to the financial statements.

(b) Qian Hu Post-IPO Employees' Share Option Scheme (the "Post-IPO Scheme")

The Post-IPO Scheme was approved and adopted at the Company's Extraordinary General Meeting held on 9 October 2000 to enable eligible employees of the Group, other than directors and controlling shareholders of the Company including their associates, to participate in the equity of the Company.

The Post-IPO Scheme is administered by the Post-IPO Option Committee, consisting of non-executive directors of the Company as follows:

(i) Chang Weng Leong
(ii) Robson Lee Teck Leng
(iii) Tan Tow Ee

At an Extraordinary General Meeting held on 19 February 2002, the following modifications to the Post-IPO Scheme were approved by the shareholders of the Company:

(a) The Post-IPO Scheme will be extended to include the participation of associates of controlling shareholders. Such associates must be confirmed full-time employees.

(b) The exercise price of the Post-IPO options will be set at a discount of 20% to the prevailing market price of the shares. The associates of controlling shareholders will be entitled to the same rate of discount to the market price of the shares as other employees who are selected by the Committee to receive discounted options.

Size of Plan

The total number of new shares over which options may be granted pursuant to the Post-IPO Scheme shall not exceed 10% of the issued share capital of the Company on the day immediately preceding the offer date of the options ("Offer Date").

Grant of Option

Options may be granted from time to time during the period when the Post-IPO Scheme is in force, except that option shall only be granted on or after third market day on which an announcement on any matter involving unpublishing price sensitive information is released.

Acceptance of Option

The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of $1.

Exercise Period

The exercise period of an option granted at a discount of 20% to the prevailing market price of the shares commences after two years from the Offer Date.

The options granted to associates of the Company's controlling shareholders under the Post-IPO Scheme are as follows:

Name of participant	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year	Aggregate options exercised/ cancelled since commencement of scheme to end of financial year	Aggregate options outstanding as at end of financial year
Yap Ai Tin	-	40,000	-	40,000
Yap Saw Chin	-	40,000	-	40,000
Yap Ai Choo	-	40,000	-	40,000
Tan Ah Moi	-	20,000	-	20,000
Ng Ah Pun	-	10,000	-	10,000
Lim Lee Seng	-	10,000	-	10,000
	-	160,000	-	160,000

In respect of options granted to employees of related corporations, no options were granted during the financial year and a total of 425,000 options were granted from the commencement of the Post-IPO Scheme to the end of the financial year, of which 27,000 options were cancelled due to resignation of employees.

Options Granted

No participant has received 5% or more of the total number of options available under the Post-IPO Scheme. There were no options granted under the Post-IPO Scheme during the financial year.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

Issue of Shares Under Options

During the financial year, no shares were issued pursuant to the exercise of the Post-IPO options.

Unissued Shares Under Options

At the end of the financial year, there were 1,472,000 unissued ordinary shares of the Company under options granted, exercisable at $0.59 per share from 1 August 2004 to 31 July 2012, unless any of the share option is cancelled or has lapsed. The movements of share options outstanding are disclosed in Note 30 to the financial statements.

Except for the above, no other options to take up unissued shares of the Company or its subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries. No other options to take up unissued shares in the Company or its subsidiaries were outstanding as at the end of the financial year.

Audit committee

The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

Singapore
12 January 2004

STATEMENT BY DIRECTORS

Pursuant to Section 201(15)

We, Kenny Yap Kim Lee and Alvin Yap Ah Seng, being two of the directors of Qian Hu Corporation Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated statement of cash flows together with notes thereto, set out on pages 70 to 115 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the results of the business, changes in equity of the Company and of the Group and cash flows of the Group for the financial year then ended, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

Singapore
12 January 2004

AUDITORS' REPORT

to the members of Qian Hu Corporation Limited

We have audited the accompanying financial statements of Qian Hu Corporation Limited and its subsidiaries for the year ended 31 December 2003 set out on pages 70 to 115. The financial statements comprise the balance sheets of the Company and of the Group, the profit and loss accounts and the statements of changes in equity of the Company and of the Group and statement of cash flows of the Group, and notes thereto. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements are:

  (i) in compliance with the requirements of Singapore Financial Reporting Standards and give a true and fair view of the matters required by Section 201 of the Singapore Companies Act (the "Act") to be dealt with in the financial statements; and

  (ii) in accordance with the Act so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and the results and changes in equity of the Company and of the Group and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and, where they are required by the laws of the country of incorporation, auditors' reports of all the subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in Note 5 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore, did not include any comment made under section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
12 January 2004

BALANCE SHEETS

as at 31 December 2003
(In Singapore dollars)

	Note	Group		Company	
		2003	2002	2003	2002
		$	$	$	$
ASSETS LESS LIABILITIES					
Non-current assets					
Property, plant and equipment	3	12,897,075	7,818,045	4,173,300	4,468,406
Brooder stocks	4	7,337,702	1,371,930	1,342,740	1,371,930
Investments in subsidiaries	5	-	-	8,975,428	2,679,640
Investments in associates	6	66,444	-	28,722	28,722
Quoted equity investment, at cost					
(market value: $5,311 : 2002: $6,505)		3,729	3,820	-	-
Intangible assets	7	861,109	87,913	78,695	74,193
Land use rights	8	89,814	212,653	-	-
Current assets					
Inventories	9	14,722,453	12,876,214	4,634,226	4,438,586
Breeder stocks	10	1,493,690	-	188,000	-
Trade receivables	11	13,120,593	12,351,805	6,886,499	7,087,826
Other receivables, deposits and prepayments	12	1,764,739	786,805	269,312	201,108
Due from					
- subsidiaries (trade)		-	-	9,572,643	7,181,985
- subsidiaries (non-trade)	13	-	-	1,532,154	1,927,720
- associates (trade)		662,105	406,452	636,625	406,452
Fixed deposits	14	101,594	101,116	23,046	22,568
Cash and bank balances		4,125,387	7,719,571	2,809,258	6,251,412
		35,990,561	34,241,963	26,551,763	27,517,657

	Note	Group 2003 $	Group 2002 $	Company 2003 $	Company 2002 $
Current liabilities					
Trade payables		4,347,183	5,809,629	2,644,882	3,328,248
Bills payable to banks	15	1,950,423	3,204,880	1,950,423	3,204,880
Other payables and accruals	16	3,179,832	3,218,628	2,118,227	2,435,455
Due to					
- subsidiaries (trade)		-	-	112,352	84,104
- minority shareholders of a subsidiary (non-trade)	13	2,539,592	-	1,064,079	-
Finance lease obligations	17	313,327	357,549	161,336	163,635
Bank term loans	18	449,404	-	-	-
Provision for taxation		1,077,331	1,854,013	995,480	1,330,990
Bank overdraft (unsecured)		102,613	-	-	-
		13,959,705	14,444,699	9,046,779	10,547,312
Net current assets		22,030,856	19,797,264	17,504,984	16,970,345
Non-current liabilities					
Finance lease obligations	17	(650,803)	(709,180)	(378,113)	(512,980)
Bank term loans	18	(932,834)	-	-	-
Deferred taxation	26	(971,800)	(356,467)	(258,000)	(258,000)
		40,731,292	28,225,978	31,467,756	24,822,256
EQUITY					
Share capital	19	10,626,847	10,297,070	10,626,847	10,297,070
Reserves	20	25,924,237	17,580,344	20,840,909	14,525,186
		36,551,084	27,877,414	31,467,756	24,822,256
Minority interests		4,180,208	348,564	-	-
		40,731,292	28,225,978	31,467,756	24,822,256

The accounting policies and explanatory notes on pages 77 to 115 form an integral part of the financial statements.

PROFIT AND LOSS ACCOUNTS

for the year ended 31 December 2003
(In Singapore dollars)

	Note	Group		Company	
		2003	2002	2003	2002
		$	$	$	$
Turnover	21	67,679,769	62,693,126	47,780,763	51,865,151
Cost of sales		(42,311,980)	(40,514,649)	(32,728,523)	(36,682,757)
Gross profit		25,367,789	22,178,477	15,052,240	15,182,394
Other operating income		202,146	100,620	143,546	532,615
		25,569,935	22,279,097	15,195,786	15,715,009
Selling and distribution expenses		(1,829,000)	(1,691,141)	(820,779)	(1,501,769)
General and administrative expenses		(13,973,213)	(11,964,893)	(8,591,440)	(7,909,422)
Profit from operations	22	9,767,722	8,623,063	5,783,567	6,303,818
Financial expenses	25	(221,467)	(180,088)	(140,503)	(152,401)
Financial income	25	7,396	6,549	478	4,160
		9,553,651	8,449,524	5,643,542	6,155,577
Share of profit of associates		-	138,620	-	-
Profit before taxation		9,553,651	8,588,144	5,643,542	6,155,577
Taxation	26	(1,784,348)	(2,053,266)	(930,000)	(1,350,000)
		7,769,303	6,534,878	4,713,542	4,805,577
Minority interest		(753,530)	12,481	-	-
Net profit attributable to Members of the Company		7,015,773	6,547,359	4,713,542	4,805,577
Earnings per share (cents)	28				
Basic		6.72	6.64		
Diluted		6.68	6.58		

The accounting policies and explanatory notes on pages 77 to 115 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2003
(In Singapore dollars)

Group

	Share capital $	Share premium $	Revenue reserve $	Translation reserve $	Total $
Balance at 1 January 2002	8,276,200	2,083,567	6,607,103	205,170	17,172,040
Currency translation differences	-	-	-	(117,412)	(117,412)
Net profit for the year	-	-	6,547,359	-	6,547,359
Dividends (Note 27)	-	-	(376,860)	-	(376,860)
Bonus issue of shares via capitalisation of share premium account	831,270	(831,270)	-	-	-
Issue of new shares	1,189,600	3,765,440	-	-	4,955,040
Share issue expenses	-	(302,753)	-	-	(302,753)
Balance at 31 December 2002	10,297,070	4,714,984	12,777,602	87,758	27,877,414
Currency translation differences	-	-	-	(274,061)	(274,061)
Net profit for the year	-	-	7,015,773	-	7,015,773
Dividends (Note 27)	-	-	(964,620)	-	(964,620)
Issue of new shares	329,777	2,566,801	-	-	2,896,578
Balance at 31 December 2003	10,626,847	7,281,785	18,828,755	(186,303)	36,551,084

Company

	Share capital $	Share premium $	Revenue reserve $	Total $
Balance at 1 January 2002	8,276,200	2,083,567	5,381,485	15,741,252
Net profit for the year	-	-	4,805,577	4,805,577
Dividends (Note 27)	-	-	(376,860)	(376,860)
Bonus issue of shares via capitalisation of share premium account	831,270	(831,270)	-	-
Issue of new shares	1,189,600	3,765,440	-	4,955,040
Share issue expenses	-	(302,753)	-	(302,753)
Balance at 31 December 2002	10,297,070	4,714,984	9,810,202	24,822,256
Net profit for the year	-	-	4,713,542	4,713,542
Dividends (Note 27)	-	-	(964,620)	(964,620)
Issue of new shares	329,777	2,566,801	-	2,896,578
Balance at 31 December 2003	10,626,847	7,281,785	13,559,124	31,467,756

The accounting policies and explanatory notes on pages 77 to 115 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2003
(In Singapore dollars)

	2003 $	2002 $
Cash flows from operating activities		
Profit before taxation and minority interest	9,553,651	8,588,144
Adjustments:		
Bad trade receivables written off	-	29,589
Depreciation of		
- property, plant and equipment	1,563,432	1,273,927
- brooder stocks	90,467	29,190
Property, plant and equipment written off	13,113	-
(Gain) loss on disposal of		
- property, plant and equipment	(34,963)	(83,416)
- land use rights	(9,090)	-
- an associate	-	8,813
Gain on divestment in a subsidiary	-	(9,725)
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	(1,493,690)	-
Amortisation of		
- land use rights	1,966	4,461
- trademarks/customer acquisition costs and product listing fees	42,415	103,811
- goodwill on consolidation	40,795	-
Provision for doubtful trade receivables	285,759	217,196
Share of profit of associates	-	(138,620)
Negative goodwill on consolidation	-	(29,453)
Interest expense	221,467	180,088
Interest income	(7,396)	(6,549)
Net effect of exchange differences	(50,306)	(42,493)
Operating profit before working capital changes	10,217,620	10,124,963
(Increase) decrease in:		
Inventories	(1,383,128)	(4,103,645)
Trade receivables	(742,624)	(3,561,435)
Other receivables, deposits and prepayments	(963,952)	735,362
Due from		
- associates (trade)	(255,653)	9,467
- associates (non-trade)	-	557,137
Increase (decrease) in:		
Trade payables	(2,298,354)	(334,628)
Bills payable to banks	(1,254,457)	2,051,881
Other payables and accruals	(164,852)	489,769
Due to directors (non-trade)	-	(2,309)
Cash generated from operations	3,154,600	5,966,562
Payment of income tax	(1,945,697)	(1,108,089)
Interest paid	(221,467)	(180,088)
Net cash generated from operating activities	987,436	4,678,385

	2003 $	2002 $
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 3)	(1,477,005)	(1,933,353)
Proceeds from disposal of		
- property, plant and equipment	496,479	131,680
- land use rights	127,200	-
- an associate	-	121,771
Proceeds from divestment in a subsidiary	-	20,260
Payment for trademarks/customer acquisition costs and product listing fees	(38,105)	(93,761)
Investment in an associate	(66,444)	-
Acquisition of a subsidiary, net of cash and cash equivalents (Note A)	(2,711,138)	85,309
Net cash used in investing activities	(3,669,013)	(1,668,094)
Cash flows from financing activities		
Proceeds from issuance of new shares (net)	89,760	4,652,287
Drawdown of		
- bank term loans	1,430,088	-
- loan from minority shareholders of a subsidiary	29,672	-
Repayment of		
- finance lease obligations	(496,260)	(203,093)
- bank term loans	(47,850)	(603,613)
- loan from minority shareholders of a subsidiary	(1,062,928)	-
Payment of dividends to shareholders	(964,620)	(376,860)
Interest received	7,396	6,549
Net cash (used in) generated from financing activities	(1,014,742)	3,475,270
Net (decrease) increase in cash and cash equivalents	(3,696,319)	6,485,561
Cash and cash equivalents at beginning of year (Note B)	7,820,687	1,335,126
Cash and cash equivalents at end of year (Note B)	4,124,368	7,820,687

(In Singapore dollars)

Notes to the Statement of Cash Flows

Note A: Summary of effects on acquisition of subsidiaries

The attributable assets and liabilities of subsidiaries acquired and the cash flow effect of the acquisitions are set out as follows:

	2003 $	2002 $
Property, plant and equipment	5,454,845	380,178
Brooder stocks	6,203,649	-
Inventories	463,111	2,127,480
Trade receivables	311,923	231,643
Other receivables, deposits and prepayments	13,982	684,819
Cash and bank balances	113,753	128,203
Trade payables	(835,908)	(2,591,708)
Other payables and accruals	(126,055)	(237,144)
Finance lease obligations	(44,547)	-
Due to minority shareholders of a subsidiary	(2,508,769)	-
Net assets acquired	9,045,984	723,471
Less:		
Minority interests	(3,166,094)	(283,256)
Equity-accounted cost of investment before acquisition of the additional equity interest	-	(184,365)
Share of profit of associates	-	(167,342)
Goodwill (Negative goodwill) on consolidation	815,898	(29,453)
Translation differences	-	(16,161)
Total purchase consideration	6,695,788	42,894
Less:		
Cash and bank balances acquired	(113,753)	(128,203)
Consideration paid by issuance of new shares	(2,806,818)	-
Due to minority shareholders of a subsidiary	(1,064,079)	-
Net cash flow on acquisition of subsidiaries	2,711,138	(85,309)

Note B: Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	2003 $	2002 $
Cash and bank balances	4,125,387	7,719,571
Fixed deposits	101,594	101,116
Bank overdraft	(102,613)	-
Cash and cash equivalents	4,124,368	7,820,687

The accounting policies and explanatory notes on pages 77 to 115 form an integral part of the financial statements.

1. Corporate information

The financial statements of Qian Hu Corporation Limited for the year ended 31 December 2003 were authorised for issue in accordance with a directors' resolution dated 12 January 2004.

The Company is a limited company domiciled and incorporated in the Republic of Singapore with registered office at No. 71 Jalan Lekar, Singapore 698950.

The principal activities of the Company are those of import, export, farming, breeding and distribution of ornamental fishes and aquarium and pet accessories. The principal activities of the subsidiaries are as set out in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Company and the Group have 120 and 637 (2002: 120 and 579) employees at the end of the financial year respectively.

2. Significant accounting policies

(a) Basis of preparation

The financial statements, expressed in Singapore dollars, have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act. In previous year, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard ("SAS"). The transition from SAS to FRS did not result in any significant change in accounting policies.

The financial statements have been prepared on historical cost basis except for the valuation of breeder stocks at fair value.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated financial statements with effect from the respective dates of acquisition or disposal, as applicable. Significant intercompany balances, transactions and unrealised profit or loss on intercompany transactions have been eliminated on consolidation.

When a subsidiary or an associate is acquired, any excess or deficiency of the purchase consideration over the fair values of the Group's share of the identifiable net assets acquired represents goodwill or negative goodwill, which is accounted for in accordance with Note 2(h).

Investment in associates is accounted for in the consolidated financial statements using the equity method. The Group's share of the post-acquisition results of associates is included in the consolidated profit and loss account. The Group's share of the post-acquisition accumulated profits and reserves of associates is included in the carrying value of the investment in the consolidated balance sheet. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associates, against the investment in associates.

(b) Basis of consolidation (cont'd)

In the preparation of the consolidated financial statements, the financial statements of foreign subsidiaries and associates are translated at the rates of exchange ruling at the balance sheet date except for share capital and reserves which are translated at historical rates of exchange and profit and loss items are translated at the average exchange rates for the financial year. Foreign currency translation differences are taken directly to translation reserve. On disposal of a foreign entity, accumulated exchange differences are recognised in the profit and loss account as a component of the gain or loss on disposal.

(c) Subsidiaries and associates

(i) Subsidiaries

Subsidiaries are those companies controlled by the Group. Control exist when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost. Provision is made when, in the opinion of the directors, there has been an impairment in the value of the investment that is other than temporary.

(ii) Associates

An associate is a company, not being a subsidiary, in which the Group has a long-term interest of between 20% and 50% of the equity and in whose financial and operating decisions the Group exercises significant influence.

Investments in associates are stated in the Company's balance sheet at cost. Provision is made when, in the opinion of the directors, there has been an impairment in the value of the investment that is other than temporary.

(iii) Quoted investments

Investment in quoted shares is stated at the lower of cost and market value determined on an individual investment basis.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss accounts.

(e) Biological assets

The Group has three types of biological assets; namely ornamental fish, brooder stocks and breeder stocks. Biological assets are to be measured on initial recognition and at each balance sheet date, at their fair values less estimated point-of-sale costs, in accordance with FRS 41, Agriculture.

(e) Biological assets (cont'd)

(i) Ornamental fish

The Group holds ornamental fish for trading purposes. The holding period of ornamental fish held for growing is generally short, ranging from 2 to 4 weeks. In the opinion of the directors, the increment in fair value of the ornamental fish during the holding period is nominal, and as such, the cost of ornamental fish that undergo biological transformation approximates fair value. Accordingly, ornamental fish held for trading have been stated at cost.

(ii) Brooder stocks

The brooder stocks are parent stocks of Dragon Fish, held for use in the breeding of Dragon Fish. As the fair value of brooder stocks cannot be measured reliably, the brooder stocks have been stated at cost less accumulated depreciation and any impairment loss. The brooder stocks have been depreciated on a straight-line basis over their estimated useful lives of 50 years.

(iii) Breeder stocks

The breeder stocks are the next generation of the parent stocks of Dragon Fish, held for trading purposes. The holding period of these breeder stocks are usually 2 to 3 months before they are put up for sales. As at balance sheet date, these stocks are measured based on the fair value of those fish of similar age, breed and genetic merit that can be purchased from the suppliers. Gain or loss from these valuations is included in the profit and loss account.

(f) Depreciation

Depreciation is calculated on a straight-line basis so as to write-off the cost of the property, plant and equipment over their estimated useful lives (except for property, plant and equipment of certain subsidiaries which take into account an estimate residual value of 10% of cost). The estimated useful lives of property, plant and equipment are as follows:

Freehold buildings	20 years
Leasehold land	over the remaining lease terms
Leasehold buildings	over the remaining lease terms
Leasehold improvements	5 years
Motor vehicles	5 - 10 years
Computers	3 years
Furniture, fittings and office equipment	5 - 10 years
Equipment and tools	8 - 10 years
Moulds	5 years
Machinery	5 - 8 years
Air conditioner	5 - 10 years
Ponds and concrete tanks	3 - 10 years
Electrical and installation	10 years

No depreciation is provided on freehold land.

Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

(g) Leases

Leases in terms of which the Group assumes substantially all risk and rewards of ownership are classified as finance lease. Property, plant and equipment acquired by way of finance lease is capitalised at the lower of its fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account. Capitalised lease assets are depreciated over the shorter of economic useful life of the asset and the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(h) Intangible assets

(i) Trademarks/customer acquisition costs and product listing fees

Trademarks/customer acquisition costs and product listing fees are stated at cost less amounts amortised. These costs are amortised on a straight-line basis over 3 years.

(ii) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

(iii) Negative goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the Group's share of the identifiable assets acquired over the cost of acquisition. Negative goodwill in excess of fair values of non-monetary assets acquired is recognised immediately in the profit and loss account.

(i) Land use rights

This refers to the rights to use the acquired land and are stated at cost less accumulated amortisation and impairment losses. Land use rights are amortised over the years in which the right to use the land is granted.

(j) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit and loss account.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded as income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(k) Inventories

Inventories are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost includes materials, all direct expenditure and an attributable portion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Provision is made for deteriorated, damaged, obsolete and slow-moving stocks.

(l) Trade and other receivables

Trade and other receivables, including intercompany balances, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, fixed deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents are shown net of outstanding bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

(n) Trade and other payables

Liabilities for trade and other payables, including intercompany payables, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(p) Revenue recognition

(i) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the buyer which generally coincides with delivery and acceptance of the goods sold. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods.

(ii) Interest income

Interest income from bank deposits is recognised on a time apportioned basis on the principal outstanding and at rate applicable.

(q) Employee benefits

(i) Equity compensation benefit

The Company has two employees' share option schemes where employees (including associates of the Company's controlling shareholders) are granted non-transferable options to purchase the shares of the Company. No compensation costs or obligation is recognised upon granting or the exercise of the options. When the options are exercised, equity is increased by the amount of the proceeds received.

(ii) Defined contribution plans

As required by law, the Group makes contribution to the state pension scheme, the Central Provident Fund (CPF) for Singapore companies and the Employees Provident Fund (EPF) for Malaysia companies. CPF and EPF contributions are recognised as compensation expenses in the same period as the employment that gives rise to the contributions.

(iii) Pension scheme

The subsidiary companies in the People's Republic of China operate defined contribution pension schemes. Contributions are charged to the profit and loss account as they became payable in accordance with the rules of the scheme.

(iv) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(r) Borrowings

Borrowings are carried at cost net of transaction costs.

Borrowing costs are recognised in the period in which they are incurred.

(s) Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arises from goodwill for which amortisation is not deductible for tax purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. For deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

(s) Taxation (cont'd)

Deferred tax liabilities are not provided on undistributed earnings of foreign subsidiaries to the extent the earnings are intended to remain indefinitely invested in those entities.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(t) Foreign currencies translation

The accounting records of the companies in the Group are maintained in their respective measurement currencies.

Transactions in foreign currencies are recorded in the respective companies' measurement currencies using exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities in foreign currency at the balance sheet date are translated into the respective measurement currencies at exchange rates approximating those ruling at that date. All resultant exchange differences are recognised in the profit and loss account.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

For management purposes, the Group is organised on a world-wide basis into three major operating businesses.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

(In Singapore dollars)

3. Property, plant and equipment

Group

	Freehold land & buildings $	Leasehold land $	Leasehold buildings $	Leasehold improvements $	Motor vehicles $	Computers $
At cost						
As at I January 2003	-	73,951	4,486,844	78,363	2,111,833	523,175
Balance attributable to a subsidiary acquired during the year	4,802,979	-	-	-	166,928	-
Additions	310,845	-	200,631	1,171	591,091	135,914
Disposals/written off	-	-	(264,774)	-	(430,095)	(2,290)
Translation differences	(114,110)	5,872	(14,695)	6,223	(11,920)	(897)
As at 31 December 2003	4,999,714	79,823	4,408,006	85,757	2,427,837	655,902
Accumulated depreciation						
As at 1 January 2003	-	28,759	914,352	19,882	833,884	331,339
Balance attributable to a subsidiary acquired during the year	111,124	-	-	-	40,963	-
Charge for the year	55,587	31,042	308,873	13,128	404,324	102,287
Disposals/written off	-	-	(16,755)	-	(213,252)	(383)
Translation differences	(2,641)	2,283	(972)	1,578	(12,317)	363
As at 31 December 2003	164,070	62,084	1,205,498	34,588	1,053,602	433,606
Depreciation charge for 2002	-	28,759	265,231	14,788	311,958	103,980
Net book value						
As at 31 December 2003	4,835,644	17,739	3,202,508	51,169	1,374,235	222,296
As at 31 December 2002	-	45,192	3,572,492	58,481	1,277,949	191,836

Furniture, fittings and office equipment $	Equipment and tools $	Moulds $	Machinery $	Air conditioner $	Ponds and concrete tanks $	Electrical and installation $	Construction-in-progress $	Total $
1,036,005	201,793	386,429	2,331,077	85,963	187,056	546,691	-	12,049,180
45,438	617,554	-	-	11,783	-	25,504	-	5,670,186
142,550	33,825	92,069	248,311	10,435	-	19,616	39,661	1,826,119
(20,941)	(1,872)	(13,312)	(70,000)	-	-	(1,599)	-	(804,883)
(10,694)	(7,336)	(9,071)	(8,345)	350	(4,391)	(41)	-	(169,055)
1,192,358	843,964	456,115	2,501,043	108,531	182,665	590,171	39,661	18,571,547
252,691	51,693	56,481	1,320,157	37,281	187,056	197,560	-	4,231,135
4,233	54,657	-	-	1,008	-	3,356	-	215,341
156,606	46,577	87,830	289,063	14,763	-	53,352	-	1,563,432
(17,318)	(844)	(9,105)	(70,000)	-	-	(389)	-	(328,046)
615	(62)	5,501	3,750	98	(4,391)	(1,195)	-	(7,390)
396,827	152,021	140,707	1,542,970	53,150	182,665	252,684	-	5,674,472
113,957	27,274	5,495	283,696	9,215	37,411	72,163	-	1,273,927
795,531	691,943	315,408	958,073	55,381	-	337,487	39,661	12,897,075
783,314	150,100	329,948	1,010,920	48,682	-	349,131	-	7,818,045

3. Property, plant and equipment (cont'd)

Company

	Leasehold buildings	Motor vehicles	Computers	Furniture, fittings and office equipment	Machinery	Air conditioner	Electrical and installation	Total
	$	$	$	$	$	$	$	$
At cost								
As at 1 January 2003	3,860,844	1,206,525	352,885	288,346	463,571	73,226	290,703	6,536,100
Additions	200,631	51,227	94,588	23,579	71,520	6,580	2,590	450,715
Disposals	-	(70,957)	(1,980)	-	-	-	-	(72,937)
As at 31 December 2003	4,061,475	1,186,795	445,493	311,925	535,091	79,806	293,293	6,913,878
Accumulated depreciation								
As at 1 January 2003	872,933	443,527	265,372	94,754	203,095	34,695	153,318	2,067,694
Charge for the year	280,363	251,422	71,373	38,214	62,848	12,058	27,783	744,061
Disposals	-	(70,957)	(220)	-	-	-	-	(71,177)
As at 31 December 2003	1,153,296	623,992	336,525	132,968	265,943	46,753	181,101	2,740,578
Depreciation charge for 2002	247,364	219,569	81,920	31,757	65,352	7,083	44,740	697,785
Net book value								
As at 31 December 2003	2,908,179	562,803	108,968	178,957	269,148	33,053	112,192	4,173,300
As at 31 December 2002	2,987,911	762,998	87,513	193,592	260,476	38,531	137,385	4,468,406

(i) As at 31 December 2003, the net book value of the Group's and the Company's plant and machinery and motor vehicles acquired under finance leases arrangements are as follows :

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Net book value				
Machinery	48	250	-	-
Motor vehicles	1,018	1,109	549	732
Cost at 31 December	1,066	1,359	549	732

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $1,826,119 (2002: $2,500,465) of which $349,114 (2002: $567,112) was acquired by means of finance lease agreements. Cash payments of $1,477,005 (2002: $1,933,353) were made to purchase property, plant and equipment.

3. Property, plant and equipment (cont'd)

(ii) Details of properties held by the Group as at 31 December 2003 are as follows:

Location	Description and existing use	Tenure/ unexpired term	Land area (sqm)	Net book value 2003 $	Net book value 2002 $
Held by the Company					
- Leasehold land and buildings					
Nos. 69 & 71 Jalan Lekar, Singapore	Fish farming purposes	20 years from 11 November 1993	41,776	2,908,179	2,987,911
Held by subsidiaries					
- Leasehold land and factory buildings					
Meifa Industrial Zone, Anxi County, Fujian Province, PRC	Industrial use	20 years from 18 August 1996	18,187	294,329	584,581
- Leasehold land					
Nos. 30/25 Moo 8 Tumbol Klong Nung, Amphur Klong Laung Pathun Thani Province 12120, Thailand	Fish farming purposes	3 years from 15 August 2001	1,600	17,739	45,192
- Freehold land and buildings					
Lot No 722 GM No 714 Mukim of Minyak Beku, District of Batu Pahut, Johor, Malaysia	Fish farming purposes	Freehold	11,761		
Lot MLO No 1140 No 775 Mukim of Minyak Beku, District of Batu Pahut, Johor, Malaysia	Fish farming purposes	Freehold	24,281	4,835,644	-
Lot No 1616, 1617, 4138, 4139, 4141, 4937 & 4938 Mukim of Linau, District of Batu Pahut, Johor, Malaysia	Fish farming purposes	Freehold	153,729		
				8,055,891	3,617,684

(In Singapore dollars)

4. Brooder stocks

	Group		Company	
	2003	2002	2003	2002
	$	$	$	$
At cost				
As at 1 January	1,459,500	1,459,500	1,459,500	1,459,500
Balance attributable to a subsidiary acquired during the year	6,276,839	-	-	-
Translation difference	(149,126)	-	-	-
As at 31 December	7,587,213	1,459,500	1,459,500	1,459,500
Accumulated depreciation				
As at 1 January	87,570	58,380	87,570	58,380
Balance attributable to a subsidiary acquired during the year	73,190	-	-	-
Charge for the year	90,467	29,190	29,190	29,190
Translation difference	(1,716)	-	-	-
As at 31 December	249,511	87,570	116,760	87,570
Net book value				
As at 31 December	7,337,702	1,371,930	1,342,740	1,371,930

The brooder stocks are parent stocks of Dragon Fish, held by the Group and the Company for the 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 have been stated at cost less accumulated depreciation and any impairment loss.

5. Investments in subsidiaries

(a) These comprise :

	Company 2003	Company 2002
	$	$
Unquoted equity investments, at cost		
As at 1 January	2,679,640	2,450,844
Additional investment during the year	6,695,788	249,056
Disposal of interest in a subsidiary pursuant to the Memorandum of Understanding	-	(20,260)
	9,375,428	2,679,640
Less: Provision for impairment in value of investment	(400,000)	-
As at 31 December	8,975,428	2,679,640

(b) Details of the subsidiaries as at 31 December 2003 are as follows:

Name	Principal activities	Country of incorporation and business	Effective equity interest held by the Group 2003	2002	Cost of investment by the Company 2003	2002
Held by the Company			%	%	$	$
* Qian Hu Tat Leng Plastic Pte Ltd (formerly known as Tat Leng Plastic Pte Ltd)	Manufacture of plastic bags	Singapore	100	100	57,050	57,050
* Jiang Nan Holdings Pte. Ltd.	Investment holding	Singapore	100	100	2	2
** Qian Hu Aquarium and Pets (M) Sdn Bhd (formerly known as Guan Guan Aquarium Sdn Bhd)	Trading in aquarium and pet accessories and distribution of ornamental fish	Malaysia	100	100	150,451	150,451
# Kim Kang Aquaculture Sdn Bhd	Breeding, trading of ornamental fish and distribution of aquarium and pet accessories	Malaysia	65	-	6,695,788	-
†† Fujian Anxi Qianlong Plastics Private Co., Ltd	Manufacture of plastic bags	People's Republic of China	100	100	1,750,444	1,750,444
			Balance carried forward		8,653,735	1,957,947

(In Singapore dollars)

5. Investments in subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and business	Effective equity interest held by the Group 2003 %	2002 %	Cost of investment by the Company 2003 $	2002 $
Held by the Company (cont'd)			Balance brought forward		8,653,735	1,957,947
†† Beijing Qianyang Aquarium Co., Ltd	Import and export of cold-water ornamental fish and distribution of aquarium accessories	People's Republic of China	100	100	171,824	171,824
†† Guangzhou Wan Jiang Technology Co., Ltd	Manufacture of aquarium and pet accessories	People's Republic of China	60	60	249,054	249,054
†† Qian Hu Marketing Co Ltd	Distribution of aquarium and pet accessories	Thailand	74◆	74◆	148,262	148,262
†† Thai Qian Hu Company Limited	Import and export of ornamental fish	Thailand	60	60	121,554	121,554
†† NNTL (Thailand) Limited	Investment holding	Thailand	49@	49@	30,999	30,999
Held by subsidiary						
† Atlantis Aquarium Sdn Bhd	Trading in aquarium and pet accessories	Malaysia	100	100	-	-
					9,375,428	2,679,640

5. Investments in subsidiaries (cont'd)

* *Audited by Ernst & Young, Singapore.*

** *Audited by Ernst & Young, Malaysia.*

\# *Audited by Cheng & Co.*

† *As incorporation of company is less than 18 months, no requirement to be audited as of 31 December 2003.*

†† *Audited by other certified public accountants. These subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.*

◆ *This represents the Group's effective interest in Qian Hu Marketing Co Ltd. The Company holds a 49% direct interest in Qian Hu Marketing Co Ltd and the remaining effective 25% is held through a subsidiary, NNTL (Thailand) Limited.*

@ *NNTL (Thailand) Limited is considered a subsidiary of the Company as the Company has voting control at general meetings and Board meetings of NNTL (Thailand) Limited.*

(c) During the financial year, the Company acquired a 65% equity interest in Kim Kang Aquaculture Sdn Bhd ("Kim Kang"). The total purchase consideration consists of cash payments of $2,711,138 and the issuance of 2,923,769 ordinary shares of the Company at $0.96 each. The share of the fair value of net assets at the date of acquisition was $5,879,890. The acquisition was accounted for using the purchase method of accounting.

According to the Sales and Purchase Agreement entered into between the Company and the vendors of Kim Kang, the Company will pay additional amounts to the vendors based on profits to be achieved by Kim Kang as set out below:

(i) in the event that the profit before tax of Kim Kang based on its audited accounts for financial year ended 31 December 2003 is at least RM 3,000,000, the Company shall pay the vendors $1,034,091 (Earned-out 2003), half of which shall be satisfied by the payment of cash and the other half to be satisfied by the issuance of ordinary shares of the Company at $0.96 each. The amount to be paid to the vendors shall be pro-rated should the profit before tax be less than RM 3,000,000.

(ii) in the event that the profit before tax of Kim Kang based on its audited accounts for financial year ending 31 December 2004 is at least RM 4,000,000, the Company shall pay the vendors $1,034,091 (Earned-out 2004), half of which shall be satisfied by the payment of cash and the other half to be satisfied by the issuance of ordinary shares of the Company at $0.96 each. The amount to be paid to the vendors shall be pro-rated should the profit before tax be less than RM 4,000,000.

(iii) the vendors are entitled to receive the remaining balance of the Earned-out amount for 2003 and 2004 if the profit shortfall for financial years 2003 and 2004 is met by the financial year ending 31 December 2006.

As at 31 December 2003, the total purchase consideration has not been finalised. An additional amount of $1,064,079 has been accrued as purchase consideration based on management's best estimate. Accordingly, the cost of investment of Kim Kang and the goodwill on consolidation will be adjusted as and when the final consideration can be ascertained.

In addition, one of the subsidiaries, Qian Hu Aquarium and Pets (M) Sdn Bhd (formerly known as Guan Guan Aquarium Sdn Bhd) incorporated a wholly-owned subsidiary, Atlantis Aquarium Sdn Bhd which was dormant as at end of this financial year. The authorised and paid up capital of Atlantis Aquarium Sdn Bhd are RM 100,000 and RM 2 respectively.

(In Singapore dollars)

6. Investments in associates

(a) These comprise:

	Group 2003 $	Group 2002 $	Company 2003 $	Company 2002 $
Unquoted equity investment, at cost				
As at 1 January	-	314,949	28,722	327,931
Additional investment during the year	66,444	28,722	-	28,722
Disposal during the year *	-	(130,584)	-	(121,771)
Transfer to investment in a subsidiary	-	(184,365)	-	(206,160)
Share of post-acquisition loss	-	(28,722)	-	-
As at 31 December	66,444	-	28,722	28,722

* The Group disposed of its 25% equity interest in an associate, Fujian Anxi Jiying Handicraft Article Co., Ltd, at cost and recorded a loss on disposal amounting to $8,813 in the previous year.

(b) Details of the associates as at 31 December 2003 are as follows:

Name	Principal activities	Country of incorporation and business	Effective equity interest held by the Group 2003 %	Effective equity interest held by the Group 2002 %
Held by the Company				
Jin Jien Hsing Enterprise Co., Ltd	Distribution of pet food and accessories	Republic of China	50	50
Held by subsidiary				
PLC Pet Safari (Kuala Lumpur) Sdn Bhd	Provision of pet accessories and other ancillary services	Malaysia	49	-

7. Intangible assets

Intangible assets consists of:

(i) 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, namely "ARISTO-CATS YI HU" and "Nature's Gift".

(ii) 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.

(iii) 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 acquired.

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$	$	$	$
At cost				
- trademarks/customer acquisition costs	612,031	592,620	612,031	573,926
- product listing fees	58,690	37,710	40,440	37,710
- goodwill on consolidation	815,898	-	-	-
	1,486,619	630,330	652,471	611,636
Less : Accumulated amortisation	(625,510)	(542,417)	(573,776)	(537,443)
	861,109	87,913	78,695	74,193

Movements in accumulated amortisation during the financial year are as follows:

	Group 2003	Group 2002	Company 2003	Company 2002
As at 1 January	542,417	438,697	537,443	436,857
Amortisation for the year	83,210	103,811	36,333	100,586
Translation difference	(117)	(91)	-	-
As at 31 December	625,510	542,417	573,776	537,443

(In Singapore dollars)

8. Land use rights

This relates to land use rights acquired by one of the subsidiaries, Fujian Anxi Qianlong Plastics Private Co., Ltd, in the People's Republic of China.

	Group	
	2003	**2002**
	$	$
At cost		
As at 1 January	230,369	241,186
Disposal during the year	(133,780)	-
Translation differences	(2,884)	(10,817)
	93,705	230,369
Less : Accumulated amortisation	(3,891)	(17,716)
	89,814	212,653

Movements in accumulated amortisation during the financial year are as follows :

As at 1 January	17,716	13,878
Amortisation for the year	1,966	4,461
Disposal during the year	(15,670)	-
Translation differences	(121)	(623)
As at 31 December	3,891	17,716

9. Inventories

	Group		Company	
	2003	2002	2003	2002
	$	$	$	$
Fish, at cost	1,772,998	834,859	963,551	724,291
Accessories and gift items, at cost	12,268,565	11,098,136	3,670,675	3,714,295
Finished goods - plastic products, at cost	488,645	588,578	-	-
Finished goods - plastic products, at net realisable value	-	71,830	-	-
Raw materials - plastic products, at cost	192,245	282,811	-	-
Total inventories at lower of cost and net realisable value	14,722,453	12,876,214	4,634,226	4,438,586
Inventories are stated after deducting for provision for stock obsolescence of	(450,577)	(450,577)	(356,787)	(356,787)

Movement in provision for stock obsolescence during the financial year are as follows:

As at 1 January	450,577	464,133	356,787	370,343
Amount written off against provision	-	(13,556)	-	(13,556)
As at 31 December	450,577	450,577	356,787	356,787

10. Breeder stocks

Breeder stocks relate to gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of $1,493,690 and $188,000 for the Group and the Company respectively.

11. Trade receivables

	Group		Company	
	2003	2002	2003	2002
	$	$	$	$
Trade receivables	13,762,756	13,166,441	7,397,559	7,770,567
Less : Provision for doubtful trade receivables	(642,163)	(814,636)	(511,060)	(682,741)
	13,120,593	12,351,805	6,886,499	7,087,826

Movements in provision for doubtful trade receivables during the financial year are as follows:

As at 1 January	814,636	915,056	682,741	823,359
Provision made during the year	285,759	217,196	262,464	170,000
Amount written off against provision	(458,232)	(317,616)	(434,145)	(310,618)
As at 31 December	642,163	814,636	511,060	682,741

(In Singapore dollars)

12. Other receivables, deposits and prepayments

	Group		Company	
	2003	2002	2003	2002
	$	$	$	$
Deposits	82,527	170,375	41,109	13,954
Prepayments	119,144	103,045	34,250	67,789
Advances to employees	1,766	2,152	-	-
Advances to suppliers	705,534	274,109	-	-
Deposit for purchase of property, plant and equipment	419,497	-	-	-
	1,328,468	549,681	75,359	81,743
Other receivables	442,450	243,303	200,132	125,544
Less: Provision for doubtful non-trade receivables	(6,179)	(6,179)	(6,179)	(6,179)
	436,271	237,124	193,953	119,365
Total	1,764,739	786,805	269,312	201,108

Movement in provision for doubtful non-trade receivables during the financial year is as follows:

As at 1 January	6,179	16,954	6,179	16,954
Amount written off against provision	-	(10,775)	-	(10,775)
As at 31 December	6,179	6,179	6,179	6,179

13. Due from/(to) subsidiaries/minority shareholders of a subsidiary (non-trade)

These amounts are unsecured, interest-free and have no fixed terms of repayment.

14. Fixed deposits

A subsidiary's fixed deposits amounting to approximately $78,000 (2002: $78,000) have been pledged with a bank to secure a performance guarantee granted by that bank.

The fixed deposits bear average effective interest rate of 0.94% per annum with maturity of one year from the year end.

15. Bills payable to banks

As at 31 December 2003, the average effective interest rate of bills payable of the Group and of the Company is 5.75% per annum. These bills mature within 1 to 4 months from the year end.

16. Other payables and accruals

	Group 2003	Group 2002	Company 2003	Company 2002
	$	$	$	$
Accrued operating expenses	1,012,816	1,762,792	661,110	1,364,322
Other payables	2,113,758	1,455,836	1,457,117	1,071,133
Advance received from customers	53,258	-	-	-
	3,179,832	3,218,628	2,118,227	2,435,455

17. Finance lease obligations

Group

2003

	Payments	Interest	Principal
	$	$	$
Payable:			
After 1 year but within 5 years	783,871	(133,068)	650,803
Within 1 year	372,773	(59,446)	313,327
	1,156,644	(192,514)	964,130

2002

	Payments	Interest	Principal
	$	$	$
Payable:			
After 1 year but within 5 years	808,506	(112,119)	696,387
After 5 years	16,534	(3,741)	12,793
	825,040	(115,860)	709,180
Within 1 year	414,369	(56,820)	357,549
	1,239,409	(172,680)	1,066,729

(In Singapore dollars)

17. Finance lease obligations (cont'd)

Company

2003

	Payments $	Interest $	Principal $
Payable:			
After 1 year but within 5 years	460,018	(81,905)	378,113
Within 1 year	194,972	(33,636)	161,336
	654,990	(115,541)	539,449

2002

	Payments $	Interest $	Principal $
Payable:			
After 1 year but within 5 years	606,918	(106,731)	500,187
After 5 years	16,534	(3,741)	12,793
	623,452	(110,472)	512,980
Within 1 year	197,602	(33,967)	163,635
	821,054	(144,439)	676,615

Lease terms range from 3 to 7 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rates implicit of the Group's and Company's finance lease obligations are 7.13% and 7.77% per annum respectively.

18. Bank term loans (unsecured)

	Group	
	2003 $	2002 $
Loan repayable:		
Due within 1 year	449,404	-
Due after 1 year	932,834	-
	1,382,238	-

Included in unsecured bank term loans are:

- A short term bank loan of $245,000, bears interest at 5.3% per annum and is repayable on 15 June 2004.
- An 8-year term loan of $1.2 million, bears interest at 7.9% per annum and is repayable in 96 monthly instalments commencing July 2003.

19. Share capital

Company

	2003 No. of shares	2002 No. of shares	2003 $	2002 $
Authorised :				
Ordinary shares of $0.10 each	200,000,000	200,000,000	20,000,000	20,000,000
Issued and fully paid :				
As at 1 January				
Ordinary shares of $0.10 each	102,970,700	82,762,000	10,297,070	8,276,200
Issue of ordinary shares of $0.10 each	3,297,769	11,896,000	329,777	1,189,600
Bonus issue of ordinary shares of$0.10 each	-	8,312,700	-	831,270
As at 31 December				
Ordinary shares of $0.10 each	106,268,469	102,970,700	10,626,847	10,297,070

During the financial year, the Company:

(a) Issued 374,000 ordinary shares for cash at a premium of $0.14 per share upon the exercise of share options previously granted; and

(b) Issued 2,923,769 ordinary shares at a premium of $0.86 per share as partial purchase consideration for the acquisition of a subsidiary.

Qian Hu Pre-IPO Employees' Share Option Scheme (the "Pre-IPO Scheme")

There were no options (2002: Nil) granted and no options (2002: 176,000) were cancelled due to resignation of employees in the current financial year. At the end of the financial year, there were 228,000 (2002: 602,000) unissued ordinary shares of $0.10 each of the Company under options granted to eligible employees of the Group, other than directors and controlling shareholders of the Company, under the Pre-IPO Scheme at $0.24 per share.

Qian Hu Post-IPO Employees' Share Option Scheme (the "Post-IPO Scheme")

There were no options (2002: 1,620,000) granted and 122,000 (2002: 26,000) options were cancelled due to resignation of employees in the current financial year. At the end of the financial year, there were 1,472,000 (2002: 1,594,000) unissued ordinary shares of $0.10 each of the Company under options granted to eligible employees of the Group, including associates of controlling shareholders of the Company, under the Post-IPO Scheme at $0.59 per share.

(In Singapore dollars)

20. Reserves

	Group 2003 $	Group 2002 $	Company 2003 $	Company 2002 $
Share premium				
As at 1 January	4,714,984	2,083,567	4,714,984	2,083,567
Arising from the private placement of 10,000,000 ordinary shares of $0.10 each at a premium of $0.35 per share	-	3,500,000	-	3,500,000
Share issue expenses in relation to the private placement of shares	-	(302,753)	-	(302,753)
Arising from the issue of 374,000 (2002: 1,896,000) ordinary shares upon exercise of share options at a premium of $0.14 each	52,360	265,440	52,360	265,440
Arising from the issue of 2,923,769 ordinary shares for the acquisition of a subsidiary at a premium of $0.86 each	2,514,441	-	2,514,441	-
Capitalisation of share premium account for bonus issue of shares	-	(831,270)	-	(831,270)
As at 31 December	7,281,785	4,714,984	7,281,785	4,714,984
Revenue reserve				
As at 1 January	12,777,602	6,607,103	9,810,202	5,381,485
Net profit for the year	7,015,773	6,547,359	4,713,542	4,805,577
Dividends (Note 27)	(964,620)	(376,860)	(964,620)	(376,860)
As at 31 December	18,828,755	12,777,602	13,559,124	9,810,202
Translation reserve				
As at 1 January	87,758	205,170	-	-
Net movement during the year	(274,061)	(117,412)	-	-
As at 31 December	(186,303)	87,758	-	-
Total	25,924,237	17,580,344	20,840,909	14,525,186

The share premium account may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares.

21. Turnover

	Group 2003 $	Group 2002 $	Company 2003 $	Company 2002 $
Sales of goods				
- Fish	27,466,041	24,023,094	22,573,725	22,640,456
- Accessories	33,645,868	31,935,035	25,207,038	28,946,843
- Plastics	6,567,860	6,734,997	-	277,852
	67,679,769	62,693,126	47,780,763	51,865,151

22. Profit from operations

	Group 2003 $	Group 2002 $	Company 2003 $	Company 2002 $
This is determined after charging (crediting) the following:				
Auditors' remuneration				
- auditors of the Company	62,000	56,500	50,000	45,500
- other auditors	11,186	11,118	-	-
Non-audit fees				
- auditors of the Company	17,250	19,900	12,200	15,500
- other auditors	15,000	-	15,000	-
Directors' fees				
- directors of the Company (Note 23)	30,000	26,667	30,000	26,667
Directors' remuneration				
- directors of the Company (Note 23)	497,867	726,825	497,867	726,825
- directors of subsidiaries	384,705	308,148	-	-
Amortisation of				
- land use rights (Note 8)	1,966	4,461	-	-
- trademarks/customer acquisition costs and product listing fees	42,415	103,811	36,333	100,586
- goodwill on consolidation	40,795	-	-	-
Bad trade receivables written off	-	29,589	-	29,589
Depreciation of				
- property, plant and equipment (Note 3)	1,563,432	1,273,927	744,061	697,785
- brooder stocks (Note 4)	90,467	29,190	29,190	29,190
Property, plant and equipment written off	13,113	-	-	-
(Gain) loss on disposal of				
- property, plant and equipment	(34,963)	(83,416)	(30,097)	(34,333)
- land use rights	(9,090)	-	-	-
- an associate	-	8,813	-	-
Gain on divestment in a subsidiary	-	(9,725)	-	-
Negative goodwill on consolidation	-	(29,453)	-	-
Provision for :				
- doubtful trade receivables (Note 11)	285,759	217,196	262,464	170,000
- impairment in value of investment in a subsidiary (Note 5)	-	-	400,000	-
Operating lease expenses	608,288	534,338	119,159	115,463
Personnel expenses (Note 24)	7,923,959	6,885,134	5,008,354	5,031,151
Exchange (gain) loss, net	(279,704)	93,041	(255,291)	(16,198)
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks (Note 10)	(1,493,690)	-	(188,000)	-

(In Singapore dollars)

23. Directors' remuneration

Number of directors of the Company in remuneration bands is as follows:

	2003	2002
$500,000 and above	-	-
$250,000 to $499,999	-	1
Below $250,000	6	5
	6	6

Summary of compensation tables for the year ended 31 December 2003 and 2002:

Name of director	Salary* $	Bonus* $	Directors' fees $	Total $
2003				
Kenny Yap Kim Lee	170,160	-	-	170,160
Alvin Yap Ah Seng	160,727	-	-	160,727
Andy Yap Ah Siong	166,980	-	-	166,980
Robson Lee Teck Leng	-	-	10,000	10,000
Chang Weng Leong	-	-	10,000	10,000
Tan Tow Ee	-	-	10,000	10,000
Total	497,867	-	30,000	527,867
2002				
Kenny Yap Kim Lee	184,785	70,000	-	254,785
Alvin Yap Ah Seng	167,520	70,000	-	237,520
Andy Yap Ah Siong	164,520	70,000	-	234,520
Robson Lee Teck Leng	-	-	10,000	10,000
Chang Weng Leong	-	-	10,000	10,000
Tan Tow Ee	-	-	6,667	6,667
Total	516,825	210,000	26,667	753,492

* The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contribution.

24. Personnel expenses

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$	$	$	$
Salaries and bonus	6,834,632	6,103,563	4,430,881	4,531,734
Provident Fund contribution	673,207	602,414	454,260	428,906
Staff welfare benefits	416,120	179,157	123,213	70,511
	7,923,959	6,885,134	5,008,354	5,031,151
Number of persons employed at the end of the financial year	637	579	120	120

Included in personnel expenses is directors' remuneration of the Group and of the Company amounting to $882,572 and $497,867 (2002: $1,034,973 and $726,825) respectively.

25. Financial (expenses) income

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$	$	$	$
Interest expense				
- bank term loans	(44,406)	(20,343)	-	(20,343)
- hire purchase	(66,890)	(57,546)	(34,602)	(29,720)
- bank overdrafts	(4,428)	(20,271)	(158)	(20,271)
- bills payable	(105,743)	(81,928)	(105,743)	(82,067)
	(221,467)	(180,088)	(140,503)	(152,401)
Interest income				
- fixed deposits	478	6,262	478	4,160
- others	6,918	287	-	-
	7,396	6,549	478	4,160

(In Singapore dollars)

26. Taxation

	Group		Company	
	2003	2002	2003	2002
	$	$	$	$
Current tax				
- current year	1,167,816	1,972,900	930,000	1,316,000
- over provision in respect of prior year	-	(896)	-	-
Deferred tax				
- current year	616,532	81,262	-	34,000
	1,784,348	2,053,266	930,000	1,350,000

A reconciliation of the tax expense and the product of accounting profit multiplied by the applicable rate is as follows:

Accounting profit	9,553,651	8,588,144	5,643,542	6,155,577
Tax at the applicable tax rate of 22% (2002: 22%)	2,101,803	1,889,392	1,241,579	1,354,227
Tax effect of expenses that are not deductible in determining taxable profit	51,767	61,774	64,671	7,323
Tax exemption	(96,873)	(79,979)	(11,550)	(11,550)
Tax savings arising from Development and Expansion Incentive*	(364,700)	-	(364,700)	-
Tax effect of different tax rate in other countries	92,351	136,319	-	-
Unrecognised deferred tax asset	-	46,656	-	-
Over provision in respect of prior year	-	(896)	-	-
	1,784,348	2,053,266	930,000	1,350,000

* In July 2003, the Economic Development Board has granted a Development and Expansion Incentive under the International Headquarters (IHQ) Award to the Company. With the incentive, the Company enjoys a concessionary tax rate of 10% on its qualifying income for a period of 5 years commencing 1 January 2003.

26. Taxation (cont'd)

Deferred taxation at 31 December related to the following:

	Group		Company	
	2003	2002	2003	2002
	$	$	$	$
Deferred tax liability				
Tax over book depreciation	649,200	442,467	276,000	331,000
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	391,600	-	41,000	-
	1,040,800	442,467	317,000	331,000
Deferred tax asset				
Provisions	(69,000)	(86,000)	(59,000)	(73,000)
Net deferred tax liability	971,800	356,467	258,000	258,000

The Group

In accordance with the "Income Tax Law of the People's Republic of China ("PRC") for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

27. Dividends

	Group and Company	
	2003	2002
	$	$
During the financial year, the following dividends were paid:		
Final dividend in respect of the previous year of 0.6 cents per share less tax of 22% (2002: 0.6 cents per share less tax of 22%)	481,903	374,912
Special dividend in respect of the previous year of 0.6 cents per share less tax of 22% (2002: Nil)	481,903	-
Additional dividend paid in respect of the previous financial year arising from issue of shares under the Qian Hu Pre-IPO Employees' Share Option Scheme before books closure date	814	1,948
	964,620	376,860

(In Singapore dollars)

27. Dividends (cont'd)

The directors propose a final dividend of 0.6 cents (2002: 0.6 cents) per share less tax at 22% (2002: 22%) amounting to $497,336 (2002: $481,903) and no special dividend (2002: 0.6 cents per share less tax of 22%, amounting to $481,903), in respect of the year ended 31 December 2003 subject to approval at the Annual General Meeting of the Company. The proposed final dividends have not been recognised as a liability as at year end in accordance with FRS 10, Events after the Balance Sheet Date.

28. Earnings per share

Basic earnings per share

The calculation for basic earnings per share is based on consolidated profit after taxation and minority interest of $7,015,773 (2002: $6,547,359).

Number of shares

The weighted average number of ordinary shares is arrived at as follows:

	Weighted average number of shares	
	2003	**2002**
Issued ordinary shares at beginning of year	102,970,700	82,762,000
Adjustments for bonus issue of shares	-	8,312,700
Weighted average number of ordinary shares issued during the year	1,478,608	7,473,948
Weighted average number of issued ordinary shares at end of year	104,449,308	98,548,648

Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential ordinary shares. The number of unissued shares under options granted under the Qian Hu Pre-IPO Employees' Share Option Scheme and Qian Hu Post-IPO Employees' Share Option Scheme and their exercise prices are set out in the Directors' Report and Note 30 to the financial statements. The average fair value of one ordinary share during financial year 2003 was $0.73 per share. The weighted average number of ordinary shares adjusted for the unissued shares under option is as follows:

	2003	**2002**
Number of shares		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	104,449,308	98,548,648
Weighted average number of ordinary shares under option	2,020,693	3,190,858
Number of shares that would have been issued at fair value	(1,397,296)	(2,263,438)
Weighted average number of ordinary shares (diluted)	105,072,705	99,476,068

29. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties were as follows:

	Group		Company	
	2003	2002	2003	2002
	$	$	$	$
(a) Income				
Sales to subsidiaries	-	-	8,720,352	11,798,151
(b) Expenses				
Purchases from subsidiaries	-	-	4,507,868	5,617,414
Fees paid to a firm in which a director is a member	40,000	73,700	40,000	73,700
Consultancy fee paid to a company in which a director has substantial interest	17,500	44,000	-	12,000

30. Employee benefits

(a) Qian Hu Pre-IPO Employees' Share Option Scheme (the "Pre-IPO Scheme")

The Pre-IPO Scheme was approved and adopted at the Company's Extraordinary General Meeting held on 9 October 2000 to enable eligible employees of the Group, other than directors and controlling shareholders of the Company, to participate in the equity of the Company. The Pre-IPO Scheme is administered by the Pre-IPO Option Committee, comprising three directors, Kenny Yap Kim Lee, Chang Weng Leong and Robson Lee Teck Leng.

On 25 October 2000, the following 3,332,000 options were granted to 93 employees of the Group to subscribe for ordinary shares of the Company of $0.10 each at an exercise price of $0.24 per share ("Pre-IPO Options"). Of this amount, 506,000 shares were granted to 10 employees of the Group who are associates of the controlling shareholders of the Company.

Option category	No. of holders	Exercise period	Exercise price (per share)	No. of shares under option
Grade C (Entry and mid-level)	41	8/11/2000 - 24/10/2010	24 cents	506,000
Grade B (Manager)	34	8/11/2001 - 24/10/2010	24 cents	1,482,000
Grade A (Senior Manager)	18	8/11/2001 - 24/10/2010	24 cents	1,344,000
	93			3,332,000

(In Singapore dollars)

30. Employee benefits (cont'd)

Other information regarding the Pre-IPO Scheme are set out below:

- **Size of Plan**

  The total number of new shares over which options may be granted shall not exceed 5% of the issued share capital of the Company on the day immediately preceding the offer date of the options ("Offer Date").

- **Grant of Option**

  Options may be granted from time to time during the period when the Pre-IPO Scheme is in force, except that option shall only be granted on or after third market day on which an announcement on any matter involving unpublished price sensitive information is released.

- **Acceptance of Option**

  The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of $1.

- **Exercise Price**

  The exercise price of the option is $0.24 per share.

- **Option Period**

  The options are exercisable, in whole or in part at any time in accordance with the relevant applicable vesting schedule set out in the terms and rules of the Pre-IPO Scheme up to the time (and including) the day immediately preceding the tenth anniversary of the Offer Date.

As at the end of the financial year, details of the options granted under the Pre-IPO Scheme on the unissued ordinary shares of $0.10 each of the Company were as follows:

Date of grant of options	Exercise price	No. of options outstanding 1 Jan 2003	Options granted	Options exercised	Options cancelled	No. of options outstanding 31 Dec 2003	Exercise period
25 Oct 2000	$0.24	602,000	-	(Note 19) (374,000)@	-	228,000 *	8 Nov 2000 to 24 Oct 2010 (Grade C category) 8 Nov 2001 to 24 Oct 2010 (Grade A and B category)

@ During the financial year, a total of 374,000 ordinary shares of $0.10 each of the Company were issued fully paid at $0.24 per share as indicated above, for cash upon the exercise of share options. The proceeds of $37,400 and $52,360 were credited to the share capital and share premium account respectively. The market prices of the shares on the various dates of exercise of the options ranged from $0.695 to $0.775 per share.

* Options vested in 2000 (Grade C category) and in 2001 (Grade A & B category).

30. Employee benefits (cont'd)

(b) Qian Hu Post-IPO Employees' Share Option Scheme (the "Post-IPO Scheme")

The Post-IPO Scheme was approved and adopted at the Company's Extraordinary General Meeting held on 9 October 2000 to enable eligible employees of the Group, other than directors and controlling shareholders of the Company including their associates, to participate in the equity of the Company. The Post-IPO Scheme is administered by the Post-IPO Option Committee, comprising three directors, Chang Weng Leong, Robson Lee Teck Leng and Tan Tow Ee.

At an Extraordinary General Meeting held on 19 February 2002, the following modifications to the Post-IPO Scheme were approved by the shareholders of the Company:

(a) The Post-IPO Scheme will be extended to include the participation of associates of controlling shareholders. Such associates must be confirmed full-time employees.

(b) The exercise price of the Post-IPO options will be set at a discount of 20% to the prevailing market price of the shares. The associates of controlling shareholders will be entitled to the same rate of discount to the market price of the shares as other employees who are selected by the Committee to receive discounted options.

Other information regarding the Post-IPO Scheme are set out below:

- **Size of Plan**

  The total number of new shares over which options may be granted shall not exceed 10% of the issued share capital of the Company on the day immediately preceding the offer date of the options ("Offer Date").

- **Grant of Option**

  Options may be granted from time to time during the period when the Post-IPO Scheme is in force, except that option shall only be granted on or after third market day on which an announcement on any matter involving unpublished price sensitive information is released.

- **Acceptance of Option**

  The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of $1.

- **Exercise Period**

  The exercise period of an option granted at a discount of 20% to the prevailing market price of the shares commences after two years from the Offer Date.

As at the end of the financial year, details of the options granted under the Post-IPO Scheme on the unissued ordinary shares of $0.10 each of the Company were as follows:

Date of grant of options	Exercise price	No. of options outstanding 1 Jan 2003	Options granted	Options exercised	Options cancelled	No. of options outstanding 31 Dec 2003	Exercise period
1 August 2002	$0.59	1,594,000	-	-	(122,000)	1,472,000	1 August 2004 to 31 July 2012

(In Singapore dollars)

31. Commitments

As at 31 December 2003, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating lease with terms of more than one year as follows:

	Group		Company	
	2003	2002	2003	2002
	$	$	$	$
Future minimum lease payments				
- Within 1 year	222,000	340,000	98,000	85,000
- After 1 year but within 5 years	398,000	584,000	361,000	337,000
- After 5 years	443,000	535,000	411,000	494,000
	1,063,000	1,459,000	870,000	916,000

Lease terms do not contain restrictions on the Group's and the Company's activities concerning dividends, additional debt or further leasing.

32. Contingent liabilities

During the financial year, there were corporate guarantees given by the Company to banks for banking facilities extended to 2 subsidiaries amounting to $2.1 million (2002: Nil). In addition, corporate guarantee of $138,000 (2002: Nil) was given by one of the subsidiaries to a bank for credit facilities granted to an associate.

As at 31 December 2003, $1,382,238 had been utilised and is reflected in Note 18 to the financial statements.

During the financial year, the Company entered into a Sales and Purchase Agreement with the vendors of Kim Kang Aquaculture Sdn Bhd ("Kim Kang") whereby the Company will pay additional purchase consideration of up to $2,068,182 should Kim Kang achieve its profit targets by financial year ending 31 December 2006. As at 31 December 2003, the Company has accrued for an amount of $1,064,079 and the balance will be subject to evaluation as at end of the next financial year.

33. Segment information

(a) Analysis by Business Segments

The Group is organised on a worldwide basis into three main operating segments, namely:

(a) Fish - farming, breeding, distribution and trading of ornamental fish
(b) Accessories - manufacturing, and distribution of aquarium and pet accessories
(c) Plastics - manufacturing of plastic bags

Inter-segment pricing is on an arm's length basis.

2003	Fish $'000	Accessories $'000	Plastics $'000	Eliminations $'000	Group $'000
Turnover					
External sales	27,466	33,646	6,568	-	67,680
Inter-segment sales	2,540	11,168	973	(14,681)	-
Total sales	30,006	44,814	7,541	(14,681)	67,680
Results					
Segment results	5,402	5,377	265	(25)	11,019
Unallocated expenses					(1,251)
					9,768
Financial expenses (net)					(214)
Share of profit of associates					-
Taxation					(1,784)
Minority interests					(754)
Net profit for the year					7,016
Assets and Liabilities					
Assets	27,333	24,155	4,664	-	56,152
Investments in associates					66
Unallocated assets					1,028
Total assets					57,246
Liabilities	4,908	5,582	1,159	-	11,649
Unallocated liabilities					4,866
Total liabilities					16,515
Other information					
Capital expenditure	866	786	174	-	1,826
Depreciation and amortisation	797	617	325	-	1,739
Other non-cash expenses (income)	271	(17)	1	-	255

33. Segment information (cont'd)

2002	Fish $'000	Accessories $'000	Plastics $'000	Eliminations $'000	Group $'000
Turnover					
External sales	24,023	31,935	6,735	-	62,693
Inter-segment sales	1,625	12,748	1,333	(15,706)	-
Total sales	25,648	44,683	8,068	(15,706)	62,693
Results					
Segment results	2,438	7,139	272	(85)	9,764
Unallocated expenses					(1,142)
					8,622
Financial expenses (net)					(173)
Share of profit of associates					139
Taxation					(2,053)
Minority interests					12
Net profit for the year					6,547
Assets and Liabilities					
Assets	13,488	22,169	5,177	-	40,834
Unallocated assets					2,902
Total assets					43,736
Liabilities	4,247	7,313	1,348	-	12,908
Unallocated liabilities					2,602
Total liabilities					15,510
Other information					
Capital expenditure	1,213	1,099	188	-	2,500
Depreciation and amortisationn	628	467	316	-	1,411
Other non-cash expenses (income)	166	(49)	16	-	133

33. Segment information (cont'd)

(b) Analysis by Geographical Segments

Segment turnover is based on the location of customers regardless of where the business is conducted. Segment assets and capital expenditure are based on the geographical location of those assets.

	Turnover		Assets		Capital expenditure	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	29,741	34,286	24,548	27,786	605	1,470
Other Asian countries	28,239	22,065	32,698	15,950	1,221	1,030
Europe	7,856	4,583	-	-	-	-
Others	1,844	1,759	-	-	-	-
Total	67,680	62,693	57,246	43,736	1,826	2,500

34. Financial instruments

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The policies for managing each of these risks are summarised below.

The Group does not hold or issue derivative financial instruments for trading purposes.

Interest rate risk

The Group has cash balances placed with reputable banks and financial institutions.

The Group obtains additional financing through bank borrowings and finance lease arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings, including finance lease arrangements.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

34. Financial instruments (cont'd)

Credit risk

The carrying amounts of cash and cash equivalents, trade and other receivables and amount due from associates represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

Foreign exchange risk

The Group incurs foreign exchange risk on sales, purchases and borrowings that are denominated in a currency other than Singapore dollars. The currencies giving rise to this risk are primarily US dollar, Euro and Japanese Yen.

The Group does not have any formal hedging policy against foreign exchange fluctuations. However, the Group continuously monitor the exchange rates of the major currencies and enter into hedging contracts with banks from time to time whenever the management detect any movements in the respective exchange rates which may impact on the Group's profitability.

Foreign currencies received are kept in foreign currencies accounts and are converted to the respective measurement currencies of the companies on a need-to basis so as to minimise the foreign exchange exposure.

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than a forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The carrying values of cash and cash equivalents, trade and other receivables and payables, provisions and other liabilities approximates their fair value due to the relatively short-term maturity of these financial instruments.

It is not practicable to determine, with sufficient reliability without incurring excessive costs, the fair value of the amounts due from/to subsidiaries, associates and related companies due to the absence of agreed repayment terms between the parties involved.

Quoted investments

The fair value of quoted investment is estimated based on quoted market price for this investment.

34. Financial instruments (cont'd)

Finance lease obligations

The aggregate net fair values of financial assets and financial liabilities, which are not carried at fair value in the balance sheet, are presented in the following table as of 31 December 2003. The fair values of finance lease obligations and loans are estimated using discounted cash flows analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

	Group		Company	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	$	$	$	$
Financial liability				
Finance lease obligations	964,130	953,809	539,449	531,904
Bank term loans	1,382,238	1,074,881	-	-

35. Subsequent event

On 12 January 2004, the Company entered into a joint venture agreement ("JV Agreement") with Mr. Hendra Suria ("Hendra") and PT Qian Hu Aquarium & Pets Indonesia ("JV Company"), an Indonesian company incorporated as the vehicle for the joint venture.

Under the terms of the JV Agreement, the Company will invest 2,375,000,000 Rupiah (approximately S$475,000) in cash for a 55% shareholding in the JV Company and Hendra will own the remaining 45%. Pursuant to and in accordance with the terms and conditions of the asset sale agreement to be entered between the JV Company and PD Natura Indonesia ("Seller") whereby the JV Company will acquire all the assets of the Seller, a sole proprietorship wholly owned by Hendra.

The principal activities of the JV Company are those relating to the breeding and trading of ornamental fish and the distribution of aquarium and pet accessories.

STATISTICS OF SHAREHOLDERS

As at 30 January 2004

Authorised Share Capital:	S$20,000,000
Issued and fully Paid-up Capital:	S$10,643,747
Class of Shares:	Ordinary share of S$0.10 each
Number of shares:	106,437,469

Analysis of Shareholders

Range of Shareholdings	No. of Shareholders	%	Shares	%
1 - 999	66	5.19	20,299	0.02
1,000 - 10,000	869	68.32	4,921,300	4.62
10,001 - 1,000,000	320	25.16	20,089,290	18.88
1,000,001 and above	17	1.33	81,406,580	76.48
Total	1,272	100.00	106,437,469	100.00

Substantial Shareholders

	Shareholdings registered in the name of the Substantial Shareholders		Shareholdings held by the Substantial Shareholders in the name of nominees		Shareholdings in which the Substantial Shareholders are deemed to be interested*	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
1. Qian Hu Holdings Pte Ltd	-	-	30,267,369	28.44	-	-
2. Yap Ah Seng Alvin	4,491,560	4.22	700,000	0.66	33,000	0.031
3. Yap Ah Siong Andy	4,491,560	4.22	700,000	0.66	148,500	0.140
4. Yap Hock Huat	4,491,560	4.22	700,000	0.66	70,300	0.066
5. Yap Kim Choon	4,491,560	4.22	700,000	0.66	-	-
6. Yap Ping Heng	4,491,560	4.22	700,000	0.66	25,000	0.023
7. Yap Kim Lee Kenny	3,997,605	3.75	700,000	0.66	-	-
8. Yap Kim Chuan	2,636,559	2.48	2,555,001	2.40	-	-

* held by spouse

Top Twenty Shareholders

	Name of Shareholders	No. of Shares	%
1.	Raffles Nominees Pte Ltd	30,267,369	28.44
2.	Citibank Nominees Singapore Pte Ltd	5,186,000	4.87
3.	Yap Ah Seng Alvin	4,491,560	4.22
4.	Yap Ah Siong Andy	4,491,560	4.22
5.	Yap Hock Huat	4,491,560	4.22
6.	Yap Kim Choon	4,491,560	4.22
7.	Yap Ping Heng	4,491,560	4.22
8.	Yap Kim Lee Kenny	3,997,605	3.75
9.	Hong Leong Finance Nominees Pte Ltd	3,002,878	2.82
10.	United Overseas Bank Nominees Pte Ltd	2,823,400	2.65
11.	Yap Kim Chuan	2,636,559	2.48
12.	HL Bank Nominees (S) Pte Ltd	2,556,000	2.40
13.	Yap Hey Cha	2,286,200	2.15
14.	Ang Kim Sua	1,796,000	1.69
15.	Koh Guat Lee	1,496,884	1.40
16.	Goh Siak Ngan	1,486,885	1.40
17.	UOB Kay Hian Pte Ltd	1,413,000	1.33
18.	BNP Paribas Nominees Singapore Pte Ltd	945,000	0.89
19.	Ng Wah Hong	658,735	0.62
19.	Lim Boo Hua	637,000	0.60
	Total	83,647,315	78.59

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 29.21% of the issued share capital of the Company is held in the hands of the public as at 30 January 2004. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been compiled with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Wednesday, 10 March 2004 at 11.00 a.m. to transact the following business: -

ORDINARY BUSINESS

1 To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2003 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a first and final dividend of 0.6 cents per ordinary share less 22% Singapore income tax for the financial year ended 31 December 2003. **[Resolution 2]**

3 To re-elect the following Directors who are retiring by rotation in accordance with Article 89 of the Company's Articles of Association:

(a) Mr Yap Ah Seng Alvin **[Resolution 3]**
(b) Mr Yap Ah Siong Andy **[Resolution 4]**

4 To approve the sum of $30,000/- directors' fees for the financial year ended 31 December 2003. **[Resolution 5]**
(2002: $26,667)

5 To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**

6 To transact any other business that may be transacted at an Annual General Meeting.

SPECIAL BUSINESS

7 To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modifications: -

Ordinary Resolution: -
General Mandate to authorise the Directors to issue shares or convertible securities

"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 new 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. **[See Explanatory Note]** **[Resolution 7]**

By Order of the Board

Lai Chin Yee
Company Secretary
Singapore

23 February 2004

Explanatory Note:

The ordinary resolution set out in item 7 above, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the issued share capital of the Company, of which the aggregate number issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 20% of the issued share capital of the Company, as more particularly set out in the resolution.

Notes:

A member entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at No. 71 Jalan Lekar, Singapore 698950 not less than 48 hours before the time set for the Annual General Meeting.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 23 March 2004 for the preparation of dividends warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road #17-00 The Corporate Office, Singapore 068906 up to 5.00 p.m. on 22 March 2004 will be registered to determine shareholders' entitlements to the said dividend.

Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 22 March 2004 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Fifth Annual General Meeting to be held on 10 March 2004, will be paid on 2 April 2004.

PROXY FORM

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

I/We ________________________ NRIC/Passport/Co. Registration No. ________________________

of ____

being a member/members of QIAN HU CORPORATION LIMITED hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting ('AGM") of the Company to be held on Wednesday, 10 March 2004 at 11:00 am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions relating to:	For*	Against*
	AS ORDINARY BUSINESS		
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2003		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Yap Ah Seng Alvin as director		
4	Re-election of Mr Yap Ah Siong Andy as director		
5	Approval of directors' fees		
6	Re-appointment of Ernst & Young as auditors		
	AS SPECIAL BUSINESS		
7	Authority to allot and issue new shares		

* Please indicate your vote “For” or “Against” with a “X” within the box provided.

Total Number of Shares Held

Dated this _________ day of ______________________ 2004

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT

1. For investors who have used their CPF monies to buy Qian Hu Corporation Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This proxy is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3 Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the nomination shall be deemed to be alternative.

4 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at No. 71 Jalan Lekar, Singapore 698950 not less than 48 hours before the time set for the AGM.

5 The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.

6 Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7 A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap. 50.

8 The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company may reject an instrument of proxy lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time set for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.