Same Fish, New Ocean

Same Fish, New Ocean Qian Hu Corporation Limited Annual Report 2008

Qian Hu Corporation Limited

Annual Report 2008

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Same Fish,
New Ocean
Strategy for the future

Now that we have proven that our restructuring has started to bear fruit, Qian Hu is now poised to pursue our vision with even more gusto. To be the most admired ornamental fish company in the world is our long term objective and we plan to be one step closer to achieving this through our continual strive for excellence, particularly in expanding our export volume and gaining brand equity.

Even as we jump from pond to sea to ocean, we are mindful of the values that have worked for us all these years – our spirit of innovation, excellence and transparency.

In essence, we are the same Qian Hu in all these respects, but we're bigger and more determined to take on the blue ocean yonder.

We believe that in order to succeed in an increasingly global and competitive environment, Qian Hu needs to create new oceans and new markets that will take the Group to a new level of growth. We do it by expanding our distribution network, and transforming ourselves into a more global company. Global markets require more brands and more innovative products to be developed - which is why Qian Hu is beefing up its R&D capabilities, and adopting new distribution strategies.

WHAT'S NEW IN THIS ANNUAL REPORT

- A more comprehensive discussion of the Group's long-term prospects (page 12)
- Our new products (page 21)
- A discussion of our succession planning efforts (page 22)
- Charts on shareholder returns (page 33)

Who We Are

Incorporated in 1998 and listed on the Singapore Exchange since 2000, Qian Hu Corporation Limited is an integrated ornamental fish service provider ranging from breeding of Dragon Fish, as well as farming, importing, exporting and distributing of well over 1,000 species and varieties of ornamental fish from all over the world. It also manufactures and distributes a wide range of aquarium and pet accessories.

Today, the Group has developed a chorus of brands for each of our main product ranges:

Ocean Free for aquarium products

BARK for dogs

Aristo-Cats YI HU for cats

Delikate for small animals such as rabbits and hamsters

Qian Hu is the only public-listed ornamental fish company in Singapore – the Ornamental Fish Capital of the World; which exports more than 25% of the global output.

Qian Hu is also the only ornamental fish and accessories company that is able to supply and service through five countries – Singapore, Malaysia, Thailand, China and more recently, United Kingdom.

The "Qian Hu" brand of Dragon Fish is perceived as a premium brand in China, and is experiencing strong demand from Taiwan and Japan as well. The Group's research collaboration with Temasek Life Sciences Laboratory will continue to enable Qian Hu to increase productivity of its own-bred Dragon Fish.

Our Business Model

ORNAMENTAL FISH

- **Export** of more than 1,000 species and varieties – contributing to Singapore's eminent position as the top global exporter
- **Domestic distribution** through our hubs in Singapore, Malaysia, Thailand and China
- **Breeding Of Dragon Fish**
  Regarded as a premium brand in China, Qian Hu's Dragon Fish are also highly popular in Taiwan, Japan and Southeast Asia. We have entered into Phase 2 of our R&D project with Temasek Life Sciences Laboratory to customise pedigree Dragon Fish

MANUFACTURING

- Accessories manufacturing facility in Guangzhou, China produces a wide range of aquarium accessories under Qian Hu's in-house brands as well as a host of third-party OEM brands
- Plastics manufacturing facility in Singapore produces plastic bags for a wide variety of industrial uses

ACCESSORIES

- **Export** of aquarium & pet accessories to approximately 30 countries
- **Domestic distribution** through our hubs in Singapore, Malaysia, Thailand and China

RETAIL

- 12 retail chain stores under the brand "Qian Hu – The Pet Family" in Malaysia, Thailand and China integrates all of our core products plus value-added services such as pet grooming in selected stores

Our Global Footprint

Global Distribution & Export Markets

- Distribution Points
- Our Export Markets

Our Vision

1. To become the world's Number 1 ornamental fish exporter

2. To escalate the export of aquarium and pet accessories and build on our "Ocean Free" brand as one of the most recognised brand of aquarium accessories in the world

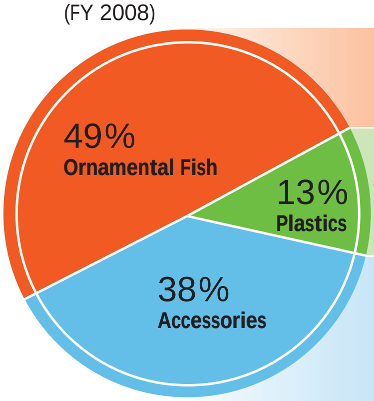
3. To be the most innovative and profitable Dragon Fish breeder

4. To be one of the top 3 manufacturers of aquarium accessories in China

5. To expand distribution capabilities from owning the business to owning the customers

Highlights of FY 2008

Revenue by Activities
(FY 2008)



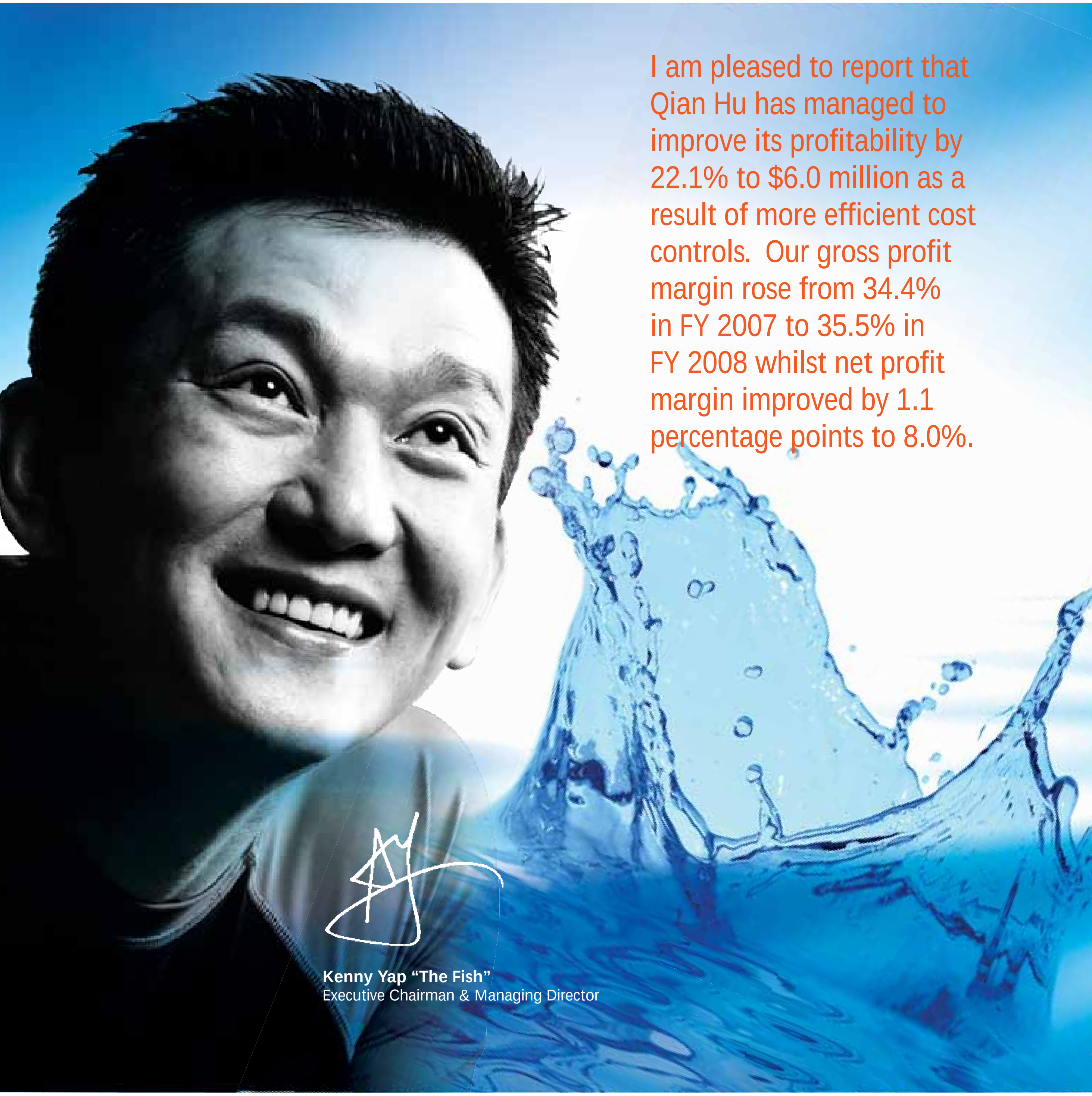
Key Highlights

- Strong export sales of Ornamental Fish to new markets
- Continued strong demand for self-bred Dragon Fish in China, Japan and Taiwan
- Target to increase exports to more countries

- Focus on generating revenue through selling more varieties of Plastics products to a larger customer base
- Stable and steady growth from the plastic activities

- Exporting to more countries – with Russia, Turkey and Denmark added in 2008
- Aim to export to more than 30 countries and to grow Accessories revenue to be equivalent as that of Ornamental Fish business
- Enhance production efficiency in Guangzhou factory and strengthen R&D
- Enhance presence in China by increasing distribution points to more than 200 locations

Chairman's Message



I am pleased to report that Qian Hu has managed to improve its profitability by 22.1% to $6.0 million as a result of more efficient cost controls. Our gross profit margin rose from 34.4% in FY 2007 to 35.5% in FY 2008 whilst net profit margin improved by 1.1 percentage points to 8.0%.

Kenny Yap "The Fish"
Executive Chairman & Managing Director

My dear bosses

You may be surprised why I call you bosses. I find this to be an appropriate salutation, after all, as fellow shareholders of Qian Hu, it is my privilege and pleasure to have served all of you in FY 2008.

I am happy to report that following a turnaround year in 2007, 2008 marked a year of new beginnings for Qian Hu. We were able to build upon the restructured business model, and our Group achieved a more robust and diversified performance.

In spite of the volatility in the global environment, I wish to emphasise that keeping pets as a hobby is pretty recession proof. Like I always tell people, you would not kill your fish when recession strikes, would you?

All of our core businesses are growing well, particularly our Accessories business. It truly is and will be the engine of growth in our Group, even as our Ornamental Fish segment continues to generate strong contributions, particularly our self-bred Dragon Fish.

Incidentally, our research collaboration with Temasek Life Sciences Laboratory has yielded much success. The knowledge that we had collected in the first phase of the research allowed us to solve some of the mysteries that have shrouded this pre-historic fish. We now have extensive information on their breeding connections in the ponds, pedigrees, molecular barcodes and the ability to sex adult brooders. Armed with this information, we are now ready to breed Dragon Fish in the laboratory using 'in-vitro' fertilisation techniques, using sperms and eggs collected from our brooders. We can also start selective breeding, the first step towards 'tailor-made Arowana' bred by Qian Hu. We are really pleased to be spearheading this cutting-edge research in Singapore – the first in the world for Asian Arowana in the world!

Clearly, Qian Hu is no longer satisfied at being Southeast Asia's biggest exporter of ornamental fish. We want to pursue bigger oceans of opportunities and growth, and we have specific strategies to achieve it.

To fund our growth, we have to ensure we have sufficient cash flow. Our challenge in the next few years will be to find an optimal balance between cash flow and growth. When we expanded the business during the years of 2000 to 2004, we did not manage the cash too well. When we restructured the company in 2004, we only managed cash at the expense of growth. This year, we are growing again, and we now have to ensure that we focus on both aspects.

Same Fish, New Ocean

Whilst we have clear growth strategies ahead, we want to assure you that we are still the same Qian Hu. We have the same commitment to excellence, people development, service quality, investor relations and corporate social responsibility.

FY 2008 Highlights

I am pleased to report that Qian Hu has managed to improve its profitability by 22.1% to $6.0 million as a result of more efficient cost controls. Our gross profit margin rose from 34.4% in FY 2007 to 35.5% in FY 2008 whilst net profit margin improved by 1.1 percentage points to 8.0%.

In the year under review, the Group's sales increased 1.5% to $93.1 million.

Ornamental Fish, including the highly-popular Dragon Fish, grew 0.8% y-o-y to $45.7 million whilst Aquarium and Pet Accessories, which included contributions from Qian Hu's 12 retail chain stores in the region, rose 0.8% to $35.6 million. Revenue from Plastics registered an even higher growth, at 6.3%, to $11.7 million.

Based on the Group's latest audited full-year results, earnings per share on a fully diluted basis increased from 1.23 Singapore cents to 1.36 cents, while net assets backing per share rose from 13.51 cents as at 31 December 2007 to 15.11 cents as at 31 December 2008.

Rewarding Shareholders

In line with Qian Hu's improved profit growth and healthy cash flow, the Directors have recommended a first and final dividend of 0.2 cents per ordinary share, which if approved by shareholders at our Annual General Meeting to be held on 11 March 2009, will be paid out on 6 April 2009.

Appreciation

It has been a pleasure serving you all in FY 2008. We have persevered and are glad to be back on the growth track. In spite of all of the challenges we faced, we never once shied away from our responsibility towards corporate transparency. We never once compromised our corporate values and culture. We continued to be accessible to our shareholders and investors and continued to pursue business excellence. I would like to assure you that Qian Hu will not rest on its laurels – we have only just begun, and will continue to intensify the momentum of growth as we move into another exciting chapter.

I have so many people to thank – our board of directors, our staff, our business associates, as well as you, our beloved shareholders for believing in us and the Qian Hu story.

Have a successful year ahead!

Kenny Yap "The Fish"
Executive Chairman & Managing Director

主席的话

各位老板们好！

大家可能会感到惊讶，为什么我在这里称呼大家为老板呢？既然各位都是仟湖的股东，我认为这个称呼是再适合不过了。我本人对自己能够在2008年为各位股东服务感到非常的荣幸。

随着2007年集团取得了令人期待的成绩后，我很高兴地告诉大家2008年对仟湖而言标志着一个崭新的开始。借助重组业务模式成功的力量，公司在2008年取得了更茁壮的成长和表现。

尽管目前全球的经济环境起伏不定，我想在这里强调的是养宠物为爱好是比较能够抵挡经济放缓所带来的冲击。我也经常对大家说，就算经济面临衰退的情况，你们也不会随便的做出遗弃你们的宠物的决定，不是吗？

今年集团所有的主要核心业务都取得了优良的增长表现，尤其是集团的水族宠物器材业务。水族宠物器材业务的稳健增长证明了它将是集团主要增长动力。同时，集团的观赏鱼业务将会继续对公司的收益作出贡献，尤其是公司所繁殖的龙鱼品种。

值得一提的是我们与淡马锡生命科学研究院携手合作进行的龙鱼培育研究计划已取得了很显著的成果。配合2004年展开的第一阶段的研究所取得的成果，集团与淡马锡生命科学研究院将在第二阶段的研究计划利用体外培育法来培植亚洲龙鱼谱系。这项研究成果将有助于仟湖在不久的将来成功迈向根据不同客户的要求繁殖龙鱼的目标。我们感到非常的兴奋，能够成为这一尖端研究的先锋。

很明显地，单单成为东南亚最大观赏鱼出口商已无法满足仟湖对外发展的渴望。仟湖要寻找崭新的海洋开辟新的商机。为了能够有效地达到我们的目标，集团已拟定好明确的策略和发展蓝图。

为了让集团的发展计划能够顺利得到所需要的融资，拥有足够的流动资金运转将是主要的关键。集团接下来几年的主要挑战将会是在增长与融资之间寻求最理想的平衡点。回想当年，集团在2000年至2004年扩展业务时，集团处理流动资金并不理想。在2004年进行重组时，我们虽然有效地掌握好资金流动的管理但是却忽略了集团的增长。今年，迈向新的增长阶段，我们更要确保集团有效的兼顾资金流动与增长。

同样的仟湖，崭新的海洋

虽然我们有明确的发展策略和蓝图，我在这里向大家保证，仟湖一贯坚守的宗旨不会因为任何因素而动摇。我们依旧坚守着精益求精的态度，依旧着重人才发展，依旧注重优良服务品质，依旧保持高透明度的投资者关系，还有依旧肩负履行企业社会责任。

2008财政年概要

我很高兴地向大家报告，集团的盈利取得了22.1%的增长，至600万新元，这有赖于集团更有效的控制营运成本。另外，与2007财政年相比，我们的毛利润率从34.4%上升至35.5%，而净利率则取得了8%的增长。

总的来说2008财政年，集团的营业额取得了1.5%达9310万新元的增长。

观赏鱼包括广受欢迎的龙鱼的销售额取得了0.8%的增长 达4570万新元。水族宠物器材业务包括仟湖设在不同区域的12家专卖店也同样取得了0.8%的增长 达3560万新元。塑料业务则取得了6.3%的增长达1170万。

根据集团最新经审核的全年业绩，每股盈利按年计算从截至2007年1.23分上升到2008年的1.36分，而每股净资产值从截至2007年底的13.51分上升至截至2008年底的15.11分。

回馈股东们

基于2008年集团取得了良好的利润增长和健康的现金流动，董事局建议派发每普通股0.2分的一次过年终股息。建议若在2009年3月11日举行的股东周年大会上取得通过，股息便会在2009年4月6日派发。

致谢

仟湖不断的努力与坚持，得以让集团重新回到增长的道路上。尽管仟湖这一路走来不断的面临各种挑战，但是我们可以很骄傲的说我们从未在价值观上做过任何妥协。我们仍然继续坚守着对股东与投资者保持高透明度还有不断精益求精的精神。我要向所有的股东们保证，仟湖绝对不会因此而感到自满 — 对仟湖而言这一切才刚开始，随着我们将进入下一个成长阶段，继续推动业务的发展。

如同往年一样，我要感谢的人有很多 — 我们的董事局成员，和我们一起努力的同仁，我们的合作伙伴，当然还有各位股东们。感谢各位对于我们的信任。更要谢谢大家相信仟湖的故事。

愿迈向更丰收的一年！

叶金利
执行主席兼总裁

我很高兴地向大家报告，集团的盈利取得了22.1%的增长，至600万新元，这有赖于集团更有效的控制营运成本。另外，与2007财政年相比，我们的毛利润率从34.4%上升至35.5%，而净利率则取得了8%的增长。

叶金利
执行主席兼总裁

Our Group's Prospects in FY 2009

In FY 2009, our Group's growth will depend on:

1

Increase in our export of ornamental fish

Ornamental Fish will continue to be an important core business activity of our Group. Currently, we export to more than 80 countries around the world from our export hubs in Singapore, Malaysia, Thailand and China. We believe that we are the region's biggest exporter of ornamental fish capturing around 5% of the world market share. While we will increase our efforts on expanding our export distribution to more countries around the world, we will focus on high-growth regions such as the Middle East, Eastern Europe, China and India.

2

Escalation of our export of aquarium and pet accessories

Our export footprint for aquarium and pet accessories will continue to expand. Currently, we export our accessories products to approximately 30 countries around the world but with limited presence in Europe. However, this is set to change through our 20% stake in Arcadia and the setting up of a marketing base in London. Through these, we aim to increase our visibility in the European continent and target to increase our export of aquarium and pet accessories to more than 40 countries within the year.

3

Continued growth in our breeding and sales of Dragon Fish

China, Taiwan, India and Japan are huge markets for Dragon Fish, and we have experienced increasing sales from these markets in the past few years. We envisage that our Dragon Fish sales will continue to grow in FY 2009.

Our collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish since 2003 has enabled us to increase the production of Dragon Fish in our farms, and hence enhance our Group's ability to meet the future increase in demand of Dragon Fish. Our "Qian Hu" Dragon Fish has gradually established itself as a premium brand in China.

4

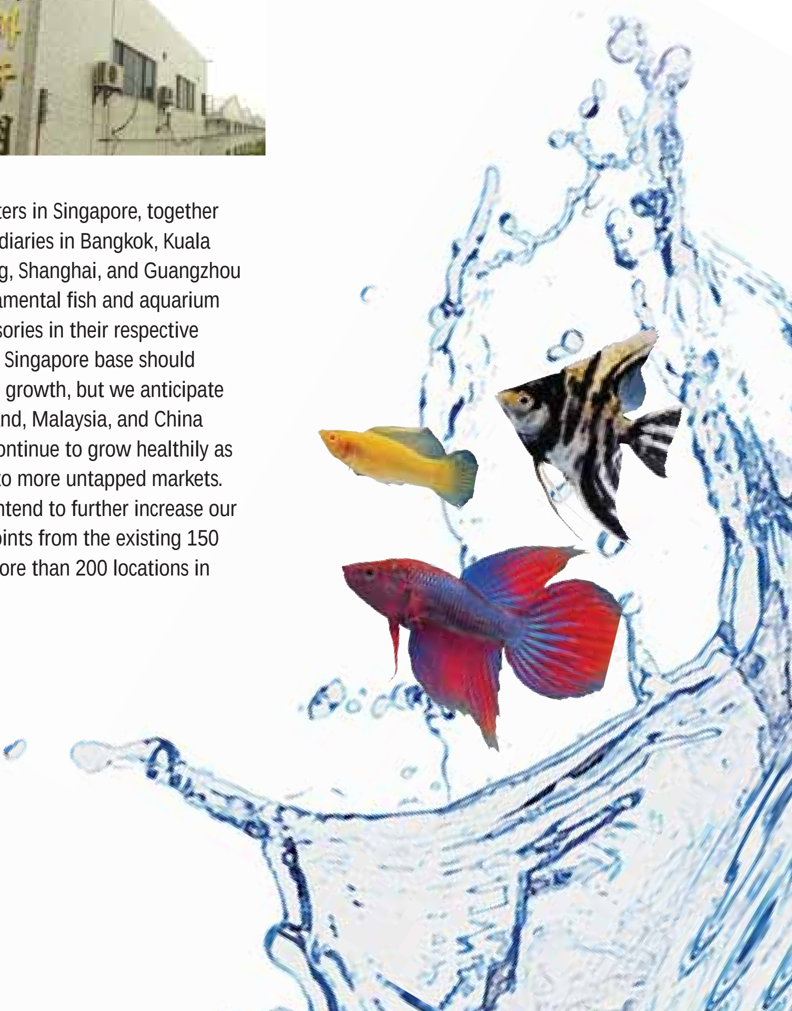
Increase in our profit margin

Our Group's current business model has become more robust and diversified after the completion of the restructuring exercise in FY 2006. Our profit margins had shown improvement in the subsequent two years (FY 2007 & FY 2008). In Year 2009, we will focus on containing operating costs and increasing our productivity which accordingly, our profit should grow at a faster pace than that of the increase in revenue (in terms of percentage). As we are operating in a niche market, namely the lifestyle and service industry, we believe that we can achieve a respectable profit margin by leveraging on our own house brands, strong R&D efforts and an efficient supply chain management.

5

Expansion of our domestic distribution network

Our headquarters in Singapore, together with our subsidiaries in Bangkok, Kuala Lumpur, Beijing, Shanghai, and Guangzhou distribute ornamental fish and aquarium and pet accessories in their respective countries. The Singapore base should record organic growth, but we anticipate that the Thailand, Malaysia, and China markets will continue to grow healthily as we reach out to more untapped markets. In China, we intend to further increase our distribution points from the existing 150 locations to more than 200 locations in Year 2009.



Our Long-Term Prospects

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

Currently, we export ornamental fish to more than 80 countries around the world and we believe that Qian Hu has captured around 5% of the world's market share in terms of ornamental fish export. Our long-term goal is to double our global market share to 10% and to export ornamental fish to 100 countries. This will make us the top ornamental fish exporter in the world. We hope to achieve this through our existing distribution hubs and exporting more Dragon Fish to China, India and Vietnam.

In addition, we are looking out for opportunities in India, Indonesia, Vietnam and the Middle East to develop our distribution network and to set up new joint ventures in markets that we are not too familiar with. Through these possible opportunities and strategic joint ventures, we believe that there will be a positive contribution to our Ornamental Fish revenue moving forward.

2 To improve revenue contribution from pet accessories

In FY 2008, the percentage of our Ornamental Fish and aquarium and pet Accessories revenue was 49% and 38% of total revenue respectively, and within Accessories, approximately 90% were revenue contributions from aquarium accessories products with the balance 10% from the pet accessories business. It is our long-term target to have equal revenue contribution from both the Ornamental Fish and the Accessories businesses. In addition, within the Accessories segment, half of the revenue should be from aquarium accessories sales and the other half from pet accessories. In order to achieve that, we will continue to leverage on our own house-brands, namely "**BARK**" and '**Nature Gift**" for dog accessories products, "**Aristo-Cats YI HU**" for cat accessories products and "**Delikate**" for small animals.

3 To export our aquarium and pet accessories to more countries

It is our intention to grow our export of aquarium and pet accessories to as many countries as our ornamental fish export in five years' time. We aim to do this by cross selling our accessories products to our existing ornamental fish customers, as well as expanding our customer base in new countries through active marketing and participation in trade shows. It is important that we focus on innovative product development, ensuring consistency in quality and the building up of our own proprietary brand names.

4 To have the widest distribution network in China

As at December 2008, Qian Hu has more than 150 distribution points across China distributing our Dragon Fish and aquarium accessories. We intend to further enhance our presence in China by increasing our marketing effort and leveraging on our premium brand status. We also intend to increase the number of distribution points to more than 250 locations in the next few years. We expect that as China becomes more prosperous, we will need to move beyond the 1st tier cities into the 2nd, 3rd or 4th tier cities in order to open up more distribution points. Distribution points are managed by our appointed agents in the respective cities or with our strategic partners in China.

5 To continue our investment in research & development ("R&D")

We will set up a R&D department in the Singapore HQ in FY 2009, to be headed by our Qian Hu scholar, Mr. Alex Chang. With the conscientious R&D effort put into the researching of Dragon Fish breeding behaviour, we aim to be Asia's most innovative and profitable Dragon Fish breeder. Our R&D work will also be integrated in nature, for instance, by making use of our fish breeding experience to develop innovative and practical aquarium accessories such as filters and tanks.

6 To be able to change in accordance with the changing environment and to continue to differentiate ourselves

The achievability of our long-term growth will depend on our ability to change and react in accordance with the ever-changing environment. We have demonstrated our tenacity by enduring the painful process of restructuring in FY 2004. We will work on building up a knowledgeable and competitive workforce, to keep on differentiating ourselves through innovative products and services, to pursue business excellence and find new ways of doing things. We need to challenge the status quo and to better equip ourselves so that we can build an organisation that will last for generations.

7 To stay focused in whatever we do

We are an integrated ornamental fish service provider and must always capitalise on our core competencies and stay focused on ornamental fish and aquarium and pet accessories related activities. We may be a small company now but we are in a niche market and we are one of the leaders in the ornamental fish market. By staying focused and relentlessly pursuing business excellence, Qian Hu will become a bigger and better company one day and we will continue to enjoy better long-term prospects.

Same Fish

Fitter and more nimble after its corporate pruning, Qian Hu is poised to take on new challenges in bigger oceans that bring new opportunities and new markets.

Now that we have proven that our restructuring has taken shape, Qian Hu is poised to pursue our vision – to be the most admired ornamental fish company in the world – by expanding export volume and gaining brand equity.

Even as we jump from pond to sea to ocean, we are mindful of the values that have worked for us all these years – our strive for excellence in everything that we do, our commitment to corporate governance, transparency, corporate social responsibility, investor relations and our innovative spirit.

In essence, we are the same Qian Hu in all these respects, but we're bigger and more determined to take on the blue ocean yonder.

Commitment to Excellence

We maintain our commitment to excellence in everything that we do, from the way we run our business to the way we communicate to all of our stakeholders.

- A frontrunner in transparency and governance, Qian Hu tops the Business Times Corporate Transparency Index in 2002 and thereafter every year since 2004. We have also won the Most Transparent Company award every year since 2003, Best Managed Board Award (Special Mention) in 2008, and IR Magazine's Southeast Asia Awards in 2007 for Best Corporate Governance.

- Committed to the best practices in investor relations and communications with shareholders, we were the first company in Singapore to post our AGM minutes on SGXNET and our corporate website, www.qianhu.com. In 2007, we were named by IR Magazine for Best Overall Investor Relations, Best Financial Reporting, and Most Progress in Investor Relations. We were also the Gold Award winner at the Singapore Corporate Award 2006 for Best Investor Relations and Best Annual Report.

- Continually seeking to innovate our business processes and our products, Qian Hu received the Singapore Innovation Class Certification in 2008 from Spring Singapore. This provides the framework for business excellence in areas of Leadership, Planning, Information, People, Processes and Results.

People Development

Since 2006, the Group has been certified a People Developer for having a detailed framework of nurturing talent. What sets us apart is our unique "People First" corporate culture which seeks to integrate everyone into the extended Qian Hu family. With a training budget pegged at 2.1% of our total payroll, each staff spends approximately 67 hours in training and all of the planned training places were utilised in FY 2008. During the year, apart from internal on-the-job training, a total of 234 staff members were assigned for training on workplace safety, supervisory, creativity and problem-solving and language enhancement courses. With our strong commitment towards people development, we are working towards the People Excellence Certification in 2009.

Corporate Social Responsibility

• Our Environment

At Qian Hu, we balance our goals of creating value in our business with a strong responsibility to minimise the impact that our business activities have on the environment. Through our ISO 14001 certified Environmental Management System, we strive to preserve and recycle our natural resources in our daily activities. Not neglecting the plight of endangered wildlife, our entire operations are compliant with the standards set out by the United Nations' Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

• Our Community

Since 2001, Qian Hu has continued to extend its care and concern to the community as part of its family culture. The Group firmly believes that our business is about enhancing the modern lifestyle and the environment which should also include the needs of the community. For the past seven years, our contribution to charity – approximately 1.3% of pre-tax profit – has stayed above the national average index of 0.22%.

New Ocean

We believe that in order to succeed in an increasingly global and competitive environment, Qian Hu needs to create new oceans and new markets that will take the Group to a new level of growth.

We do it by expanding our distribution network, and transforming ourselves into a more global company.

Global markets require more brands, more innovative products which is why Qian Hu is beefing up its R&D capabilities and adopting new distribution strategies.

In addition, to secure Qian Hu's future for generations to come, we have put in place our succession planning strategies.

Expanding geographical footprint

- **Capture more Ornamental Fish market share**
  We hope to be able to capture 10% market share in the world's export volume of ornamental fish, by exporting to more countries and expanding business within our existing customers.

- **Escalate growth in Accessories**
  Our Accessories business, which is currently exporting to more than 20 countries, most of which are in Asia, will continue to grow. As at 31 December 2008, the Group managed to increase our accessories export to approximately 30 countries, including the United States and Europe.

  Our investment in Arcadia Products PLC ("Arcadia") accelerated our penetration into Europe. Whilst we have done well to export our aquarium products to Europe, Arcadia too has benefited with its access to our manufacturing facility in Guangzhou, China. In 2008, Arcadia has moved more than 50% of its production to our Guangzhou factory.

  Aside from aquarium accessories, our target is to grow our pet accessories revenue to be around 50% of the total Accessories revenue.

Building brands with global reach

We plan to regionalise our own brands with the long-term goal of developing them into global brands. We will do this through our subsidiaries in Asia adopting an aggressive expansion by accelerating the appointment of distributors in various countries or even set up joint ventures to expand our global reach. We envisage that the distribution of our own proprietary brands, currently at around 40% of Accessories revenue, will continue to grow to 60%.

Our main product ranges are:

- **Ocean Free** for aquarium products
- **BARK and Nature's Gift** for dogs
- **Aristo-Cats YI HU** for cats
- **Delikate** for small animals such as rabbits and hamsters

Boosting R&D efforts

We have entered into the next phase in our R&D collaboration with Temasek Life Sciences Laboratory (TLL) on the Asian Arowana, commonly known as Dragon Fish, one of the most prized ornamental fish in the world. With support from the Economic Development Board (EDB), this new phase of the R&D project will pioneer in "in-vitro" breeding of "pedigree Dragon Fish".

This project will place Singapore as one of the leaders in the research of this species which will hopefully transform Singapore into a regional R&D hub for ornamental fish research in the future. Qian Hu, through TLL, will study various aspects of the breeding biology and behaviour of the species in order to improve the currently used farming methods.

Since 2004, Qian Hu has been collaborating with TLL on a self-funded research project, which yielded valuable results, including information on breeding connections in ponds, pedigrees, molecular barcodes and the ability to sex adult brooders.

The results from these research projects have enabled Qian Hu to be more effective in selective breeding, and hence improve the quality and quantity of the future generations of the Asian Arowana.

New Products

At Qian Hu, innovation is a key focus, and this commitment has continued to spark many new products that make pet keeping a pleasure and not a chore. Take for example our Ocean Free Max Tech Aquarium Heater. This is currently the best aquarium water-heating element that adopts cutting-edge electronic heating control technology, enabling precision temperature control for your tank, and ensuring that your fishes enjoy optimal temperature all the time. Even the most mundane task of pet keeping – the litter box – has been taken care of. Our Sumo Cat premium quality cat litter – it has highly absorbent properties and with no chemicals added. Comes with lemon fragrance too!

Qian Hu's succession planning

Succession planning is an essential part of doing business, no matter how certain the future appears. At Qian Hu, we feel that it makes good business sense for senior management to develop potential successors for the future. We recognise that no one is indispensable, but the absence or loss of key management can be detrimental, resulting in a loss of shareholder confidence. Modeling the succession planning policies in some larger organisations, Qian Hu has put in place a structured succession planning programme as early as 2004 because we believe that some 10 to 15 years would be required to train a team of next-generation leaders.

We are not looking for a single person, but rather a team that will take Qian Hu to the next lap of growth. Who among them will become the CEO in the next generation of senior management will depend on a number of stringent criteria, notably assessments from the Board's nominating committee; peer appraisals, and their individual track record and performance. Qian Hu has always been, and will always be, based on merit - family members will not be given any special preferences.

The person whom we are grooming to be Qian Hu's future CEO must embrace our corporate culture and values wholeheartedly. He (or she) must be able to put the interest of the company before his personal interest, be able to handle stress, and yet be hungry and ambitious. This is because regardless of how well the Group had performed in the past, we will be out of the race if we do not continue to progress and evolve.

With the current senior management as their mentors, all of our management trainees are rotated with different portfolios. Those who are capable must be able to take on overseas assignments and be able to perform in difficult environments.

Below is the comparison of our current senior management team and our succession team:

	CURRENT TEAM	NEW TEAM
Age	Average 46 years old	Average 28 years old
Number of team members	14	16
Nationalities	Mostly Singaporeans	Singaporeans, Thais, Malaysians
Highest Education Level	MBA	PHD
Lowest Education Level	Primary 6	Diploma

Awards and Accolades

RECOGNITION FOR BUSINESS EXCELLENCE

SQC Innovation Class - 2008
Awarded by Spring Singapore

Pro-Family Business Mark Certification - 2008
Awarded By Singapore Productivity Association

Professional Enterprise Award - 2007
Awarded By Asian Management Association and Certified Consultant Academy

People Developer Standard - 2006
Awarded by Spring Singapore

ZDNet Asia Smart50 - 2006
Awarded by ZDNet Asia in recognition of our IT initiative "FISH"

Singapore Quality Award - 2004
Awarded by Spring Singapore

RECOGNITION FOR EXCELLENCE IN CORPORATE TRANSPARENCY

Business Times' Corporate Transparency Index (CTI) – 2002, 2004 to 2008

1st Position

Singapore Corporate Awards – 2006
Best Investor Relations Award
(Gold – Market capitalisation of less than $500 million)

Annual Report Award
(Gold – Market capitalisation of less than $500 million)

SIAS Most Transparent Company Award
2007 & 2008 – Winner in Mainboard Small Caps category

2005 & 2006 – Runner-up in Mainboard Small Caps (up to $100 million) category

2004 - Winner in Mainboard Small Caps (up to $100 million) category & Runner-up in Services/ Utilities/Agriculture category

2003 - Winner in Services/Utilities/Agriculture category & Golden Circle Special Merit Award

2001 & 2002 - Winner in SESDAQ & Small Caps (up to $100 million) category

IR Magazine Southeast Asia Awards – 2007
Grand Prix for Best Overall Investor Relations (Winner – Small or Mid-Cap)

Best Financial Reporting (Highly Recommended – Small or Mid-Cap)

Most Progress in Investor Relations (Highly Recommended – Small or Mid-Cap)

RECOGNITION FOR EXCELLENCE IN CORPORATE GOVERANCE

Singapore Corporate Awards – 2008
Best Managed Board Award (Special Mention)

IR Magazine Southeast Asia Awards – 2007
Best Corporate Governance (Winner – Small or Mid-Cap)

Best Managed Board Award – 2003
Special Mention

Board of Directors

1 **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 Mainboard 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 around 5% of the global fish market. He has a string of awards to his name - Public Service Award (PBM) in 2004, Ernst & Young's Service Entrepreneur of the Year Award in 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.

More recently, in June 2008, he was named as one of the Top 10 Outstanding Entrepreneurs by China Education Television, Beijing Municipal Administrations of Cultural Heritage, Fortune Times, Phoenix Satellite and several other organisations in China.

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 Entrepreneurship (ACE). In 2007, Kenny was appointed by National Youth Council as the Chairman of the Youth Award (Entrepreneurship) Committee.

2 **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.

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. 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.

3 **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.

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.

4 LAI CHIN YEE
FINANCE DIRECTOR

Ms Lai Chin Yee was the Group Financial Controller before assuming her current position as the Finance Director of Qian Hu Corporation Limited in November 2004. She is responsible for the Group's accounting, finance, treasury and tax functions. Prior to joining the Group in 2000, Ms Lai was an auditor with international accounting firms since 1987. She was a member of the Tax Advisory Committee of the Ministry of Finance from September 2004 to September 2006. She also served as a council member of the Council on Corporate Disclosure and Governance (CCDG) from December 2006 to August 2007.

Ms Lai holds a Bachelor's degree in Accountancy from the National University of Singapore and is a Fellow of the Institute of Certified Public Accountants of Singapore.

5 CHANG WENG LEONG
INDEPENDENT DIRECTOR

Appointed in October 2000, Mr 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 Principal Auditor with the Institute of Quality Assurance (IRCA UK).

6 TAN TOW EE
INDEPENDENT DIRECTOR

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

Mr Tan currently manages private funds and also provides consultancy services. He has more than 15 years of professional experience working with international corporations where he was managing their sizeable investments.

He holds an 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.

7 ROBSON LEE TECK LENG
INDEPENDENT DIRECTOR

Mr 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 was appointed in October 2000 as an Independent Director and 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 Hwa Chong Institution and Hwa Chong International School as well as a trustee of the land on which the two schools 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. Robson also sits on a number of other listed companies as Independent Director.

Senior Management

SINGAPORE

YAP KIM CHOON

DIVISION HEAD
WAN HU DIVISION

As one of our founding members, Mr Yap joined the Group in 1988 as the division 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.

RAYMOND YIP CHEE WANG

SENIOR MANAGER
GROUP HUMAN RESOURCE

Mr Yip has been in human resource management for over 20 years, with diverse experiences working in various industries, including NTUC electronic sector unions, ship-repair, hotel and trading companies. He joined the Group in 2003 to set up the Human Resource department. He is responsible for the daily human resource activities in Singapore and the overseas subsidiaries. Since Qian Hu achieved the SQA status, he has been actively involved in sharing the SQA framework with other organisations and implementing the framework to the various subsidiaries.

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 15 years. He is responsible for the growth of our Plastics business in Singapore.

ALEX CHANG

HEAD
GROUP INTEGRATED R&D DEPARTMENT

Mr Chang joined the Group in January 2009. With degrees in Aquatic Science and Microbiology from University of Queensland and Royal Melbourne Institute of Technology, Mr Chang is the main coordinator in the Group's R&D collaboration with Temasek Life Sciences Laboratory.

Mr Chang was both lecturer at Ngee Ann Polytechnic and Head of its Centre for Aquatic Science and Technology before joining Qian Hu. Prior to that, he was a technical staff member at DSO National Laboratories' Centre for Biological and Chemical Defence. In 1998, he headed a Freshwater crayfish research company.

Mr Chang currently serves as a member in the Ornamental Fish Business Cluster Committee initiated by AVA and has authored a book on the Asian Cichlasoma.

CHINA

LOW ENG HUA

GROUP GENERAL MANAGER & MANAGING DIRECTOR
GUANGZHOU QIAN HU AQUARIUM AND PETS ACCESSORIES MANUFACTURING CO., LTD

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

MALAYSIA

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 Dragon Fish. 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.

THAILAND

JIMMY TAN BOON KIM

MANAGING DIRECTOR
THAI QIAN HU COMPANY LIMITED
QIAN HU MARKETING CO LTD

Prior to his current appointment in 2002, Mr Tan was the division head of Daudo division, overseeing the import, 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.

BOB GOH NGIAN BOON

GENERAL MANAGER
BEIJING QIAN HU AQUARIUM AND PETS CO., LTD
SHANGHAI QIAN HU AQUARIUM AND PETS CO., LTD

Mr Goh joined the Group in 2001. He was appointed General Manager of our Guangzhou operations in 2005 and was transferred to oversee our Beijing and Shanghai operations in August 2007 and January 2008 respectively to handle the day-to-day operations and system implementation. Prior to joining Qian Hu, Mr Goh was a Brand Manager and has managed several high-profile international brands. Mr Goh holds a diploma in Business Studies from Ngee Ann Polytechnic.

THOMAS NG WAH HONG

MANAGING DIRECTOR
QIAN HU AQUARIUM AND PETS (M) SDN BHD
QIAN HU THE PET FAMILY (M) SDN BHD

Mr Ng is responsible for the overall business development of Qian Hu Malaysia. Prior to joining Qian Hu 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 Singapore Polytechnic.

VIRAVAT VALAISATHIEN

GENERAL MANAGER
THAI QIAN HU COMPANY LIMTED

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 to handle its day-to-day operations.

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR
KENNY YAP KIM LEE

DEPUTY MANAGING DIRECTOR
ALVIN YAP AH SENG

DEPUTY MANAGING DIRECTOR
ANDY YAP AH SIONG

FINANCE DIRECTOR
LAI CHIN YEE

INDEPENDENT DIRECTOR
CHANG WENG LEONG

INDEPENDENT DIRECTOR
ROBSON LEE TECK LENG

INDEPENDENT DIRECTOR
TAN TOW EE

COMPANY SECRETARIES

LAI CHIN YEE
YEOH KAR CHOO SHARON

INVESTOR RELATIONS CONTACTS

KENNY YAP KIM LEE
kenny_yap@qianhu.com

AUGUST CONSULTING PTE LTD

HO SEE KIM
seekim@august.com.sg

AUDIT COMMITTEE

CHAIRMAN
ROBSON LEE TECK LENG

MEMBERS
CHANG WENG LEONG
TAN TOW EE

NOMINATING COMMITTEE

CHAIRMAN
TAN TOW EE

MEMBERS
ROBSON LEE TECK LENG
CHANG WENG LEONG

REMUNERATION COMMITTEE

CHAIRMAN
CHANG WENG LEONG

MEMBERS
ROBSON LEE TECK LENG
TAN TOW EE

REGISTERED OFFICE

No. 71 Jalan Lekar
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

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

AUDIT PARTNER-IN-CHARGE

LEE JEE CHENG PHILIP
(appointed in financial year 2007)

PRINCIPAL BANKERS

DBS BANK LTD

BANK OF CHINA

OVERSEA-CHINESE BANKING CORPORATION LIMITED

MALAYAN BANKING BERHAD

UNITED OVERSEAS BANK LIMITED

Group Structure

QIAN HU 仟湖

DIVISIONS

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

SUBSIDIARIES

100% **Qian Hu Tat Leng Plastic Pte Ltd**
2 Woodlands Sector, #03-35
Woodlands Spectrum Singapore 738068
Tel: (65) 6752 7258 Fax: (65) 6752 7258
Website: www.tatleng.com

100% **Qian Hu Aquarium and Pets (M) Sdn Bhd**
Block E, Lot 6212, Kg. Baru Balakong 43300
Balakong, Selangor Darul Ehsan, Malaysia.
Tel: (603) 8961 5142 Fax: (603) 8961 5141

100% **Qian Hu The Pet Family (M) Sdn Bhd**
Block E, Lot 6212, Kg. Baru Balakong 43300
Balakong, Selangor Darul Ehsan, Malaysia.
Tel: (603) 8961 5142 Fax: (603) 8961 5141

100% **Beijing Qian Hu Aquarium and Pets Co., Ltd**
Dong Fish Farm, Bei Ma Fang Village,
Jinzhang Town, Zhao Yang District,
Beijing, China.
Tel: (8610) 8431 2255 Fax: (8610) 8431 6832

100% **Shanghai Qian Hu Aquarium and Pets Co., Ltd**
No 28, Hong Xi Road, Zhu Di Town,
Min Hang District, Shanghai, China.
Tel: (8621) 5151 8611 Fax: (8621) 5151 8612

100% **Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd**
Li Hong Road, Ding An Industrial Parts,
Bi Village, Xin Hua Town, Hua Du District,
Guangzhou, China.
Tel: (8620) 8687 5062 Fax: (8620) 8687 5091

74% **Qian Hu Marketing Co Ltd**
30/23 Moo 8 Tumbol Klong Nung,
Amphur Klong Laung,
Pathun Thani Province 12120 Thailand
Tel: (662) 902 6447 Fax: (662) 902 6446

65% **Kim Kang Aquaculture Sdn Bhd**
No. 5 & 6, Jalan Setiajaya, Taman Setia Jaya,
83000 Batu Pahat, Johor, Malaysia
Tel: (607) 428 9188 Fax: (607) 428 8213

60% **Thai Qian Hu Company Limited**
30/25 Moo 8 Tumbol Klong Nung,
Amphur Klong Laung,
Pathun Thani Province 12120 Thailand
Tel: (662) 516 1155 Fax: (662) 516 1156

49% **NNTL (Thailand) Limited**
30/23 Moo 8 Tumbol Klong Nung,
Amphur Klong Laung,
Pathun Thani Province 12120 Thailand
Tel: (662) 902 6447 Fax: (662) 902 6446
(The Group has voting control at general meetings and Board meetings)

ASSOCIATE

20% **Arcadia Products PLC**
Arcadia House, Cairo New Road,
Croydon CRO 1XP
United Kingdom
Tel: (4420) 8251 5544 Fax: (4420) 8251 5500

Financial Calendar

2008

14 January
FY 2007 Full year results announcement
(with media and analysts briefing)

11 March
Annual General Meeting

21 April
1Q 2008 results announcement

21 July
FY 2008 Half year results announcement
(with media and analysts briefing)

20 October
3Q 2008 results announcement

2009

12 January
FY 2008 Full year results announcement
(with media and analysts briefing)

11 March
Annual General Meeting

6 April
Payment of dividend
(Subject to Shareholders' approval at AGM)

20 April
1Q 2009 results announcement

20 July
FY 2009 Half year results announcement
(with media and analysts briefing)

19 October
3Q 2009 results announcement

Value-added Statement

($'000)	2008	2007
Revenue earned	93,062	91,720
Less: Purchase of goods	(68,695)	(68,659)
Gross value-added from operations	**24,367**	**23,061**
Other operating income	161	210
Exchange gain	515	271
Total value-added	**25,043**	**23,542**
Distribution:		
To employees in salaries and other related costs	12,098	11,718
To government in corporate and other taxes	2,048	1,826
To providers of capital:		
- Interest paid on borrowings from banks	876	839
Retained for re-investment and future growth		
- Depreciation and amortisation	2,425	2,249
- Accumulated profits	6,043	4,948
- Minority interests	1,358	1,369
Non-production cost and income:		
- Bad trade receivables and allowance for doubtful trade receivables	195	593
Total distribution	**25,043**	**23,542**

PRODUCTIVITY DATA	2008	2007
Number of employees	650	637
Value-added per employee ($'000)	38	37
Value-added per $ of employment cost	2.07	2.01
Value-added per $ sales	0.27	0.26
Value-added per $ of investment in property, plant and equipment	0.45	0.51

Group Financial Highlights

	2008	2007	2006	2005	2004
For the year ($'000)					
Revenue	93,062	91,720	76,111	66,267	65,492
Earnings before interest, tax, depreciation and amortisation (EBITDA)	12,520	10,977	8,307	6,948	6,095
Operating profit	9,191	7,919	5,311	4,088	3,487
Net profit attributable to equity holders	6,043	4,948	2,617	2,030	1,627
Operating cashflow	9,819	8,650	9,361	7,193	(2,745)
Capital expenditure	11,115	9,318	6,762	4,813	3,017
At year end ($'000)					
Total Assets	100,512	88,823	75,589	68,421	64,882
Total Liabilities	37,778	33,190	26,838	22,726	22,492
Shareholders' Funds	53,591	47,998	42,487	40,525	37,629
Cash and Cash Equivalent	6,704	5,450	5,467	4,336	4,153
Key ratios					
Revenue growth (%)	1.5%	20.5%	14.9%	1.2%	(3.2)%
Net profit growth (%)	22.1%	89.1%	28.9%	24.8%	(76.8)%
Net profit margin (%)	6.5%	5.4%	3.4%	3.1%	2.5%
Debt-to-equity ratio (times)	0.60	0.60	0.55	0.50	0.60
Return on shareholders' funds (%)	11.3%	10.3%	6.2%	5.0%	4.3%
Return on total assets (%)	6.0%	5.6%	3.5%	3.0%	2.5%
Per share information (cents)					
Earnings per share	1.36	1.23*	0.64*	1.58	1.27
Net assets per share	15.1	13.5**	37.9	35.5	33.1
Gross dividend per share - ordinary	0.20	-	0.6	0.5	-
Gross dividend per share - special	-	8.54	-	-	-

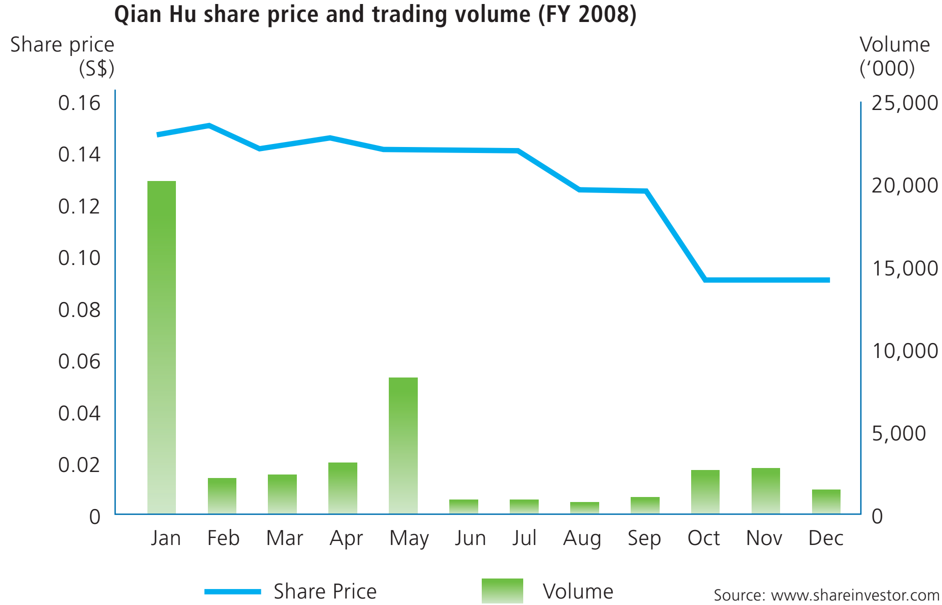
*after adjustment for rights and warrants issue in 2007
** based on enlarged share capital after rights and warrants issue in 2007

Shareholder Returns

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 loyal and supportive shareholders. As such, the Group has not set a concrete dividend policy at present. Qian Hu paid a special interim cash dividend of 8.54 cents less tax of 18% (or 7.0 cents net) per ordinary share for the financial year 2007.

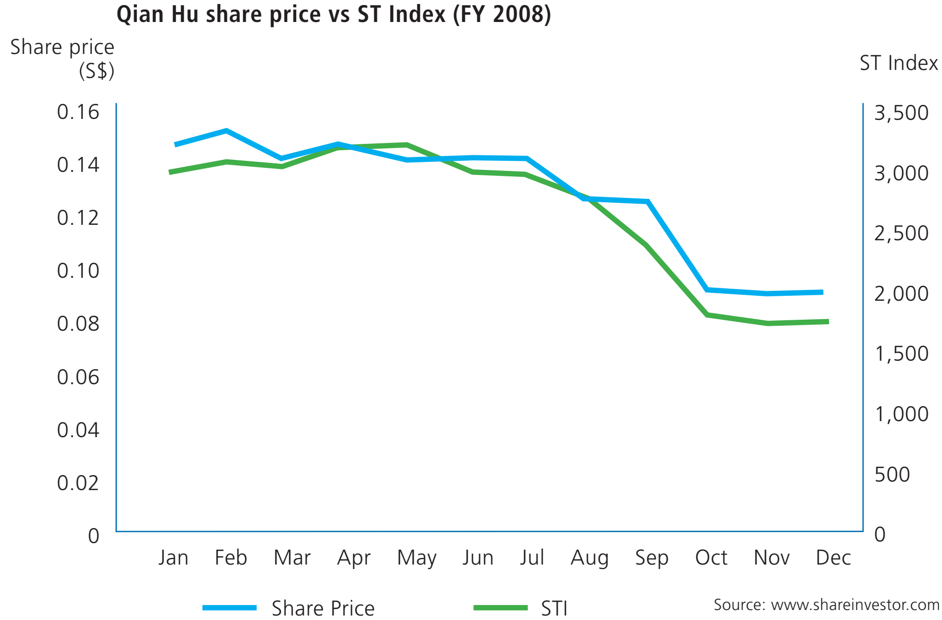
For the financial year ended 31 December 2008, the Directors are pleased to recommend a first and final dividend of 0.2 cents per ordinary share. The proposed dividend took into consideration the Group's profit growth, cash position, positive cash flow generated from operations and the projected capital requirements for business expansion. Payment of dividends is subjected to the approval of the shareholders of the Company at the forthcoming Annual General Meeting to be held on 11 March 2009.

Qian Hu share price and trading volume (FY 2008)



Source: www.shareinvestor.com

Qian Hu share price vs ST Index (FY 2008)



Source: www.shareinvestor.com

Operating and Financial Review

Summary

The Year 2008

- Delivered on its growth target, realising comparable revenue and a 22% increased in net profit attributable to equity holders. Its diversed business model proved its robustness in a weakening economic environment.

- Managed to transform into a market-focused and forward-looking company, capable of delivering sustainable profits.

- Invested a total of approximately $10 million in the construction and expansion of the Group's existing Dragon Fish breeding facilities and the purchase of additional brooder stocks in its Singapore and Malaysia Dragon Fish farms so as to strengthen its leadership position in the existing market on the breeding of Dragon Fish and to gain access to new markets.

- Proposed a first and final dividend of 0.2 cents per share (one-tier tax exempt) for the financial year 2008 to reward shareholders for their loyalty and support.

Business Review

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 four countries, namely Singapore, Malaysia, Thailand and China, which consists of 9 subsidiaries (collectively known as "the Group").

The Group has three main business activities - Ornamental Fish, Accessories and Plastics. For the financial year ended 31 December 2008, the Group recorded revenue of $93.1 million, of which 87% was contributed by the core businesses Ornamental Fish and Accessories, which Plastics contributed the remaining 13%. The Ornamental Fish business accounted for the bulk of the Group's operating profit at 74%, compared to 20% from Accessories and 6% by Plastics.

Ornamental Fish

The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming and distribution activities. The Group imports ornamental fish from countries in Southeast Asia, South America and Africa. It currently exports over 1,000 species and varieties of ornamental fish directly to more than 80 countries as well as distributes to local retailers and exporters. "Qian Hu" Dragon Fish is increasingly regarded as a premium brand in China.

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 3,000 types of aquarium and pet accessories for more than 30 major manufacturers and principals to local retailers and to wholesalers in Asia and Singapore, including supermarkets operated by NTUC FairPrice, Cold Storage and Carrefour.

In addition, the Group has developed its own house-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 China, Guangzhou to manufacture aquarium accessories for the Group as well as for third parties.

Plastics 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.

Financial Review

Revenue - Increased by $1.4 million mainly due to continuous effort in expanding the export market for Ornamental Fish and Accessories to more customers and to more countries around the world, coupled with the continuous rising demand of Dragon Fish during the financial year. The subsidiaries in Malaysia, Thailand and China have also managed to expand their domestic distribution network in those countries to capture more sales during the financial year.

Gross profit – Increased by $1.5 million as a result of higher revenue and the improvement in gross profit margins.

Profit before income tax – Increased by $2.0 million. It grew much faster than revenue as the Group managed to contain operating costs despite the modest growth in revenue. The amount of operating expenses incurred in FY 2008 was relatively consistent as compared to that of FY 2007. Financial expenses increased in FY 2008 mainly due to interest incurred on higher amount of bank borrowings during the financial year.

Income tax expense – Increased by $0.2 million on the back of higher operating profits. The tax charge were higher than the amount obtained by applying the statutory tax rate on profit before income tax mainly due to varying statutory tax rates of different countries in which the Group operates.

Profit attributable to equity holders of the Company – Increased by $1.1 million. It grew faster than revenue as mentioned. Net profit margin improved by 1.1 percentage points to 8.0%.

Income Statements

	2008 $'000	2007 $'000	Change %
Revenue			
- Ornamental Fish	45,708	45,336	0.8
- Accessories	35,627	35,350	0.8
- Plastics	11,727	11,034	6.3
Total revenue	**93,062**	**91,720**	**1.5**
Less : Cost of sales	(59,992)	(60,175)	(0.3)
Gross profit	**33,070**	**31,545**	**4.8**
Add : Other operating income	161	210	23.3
Less : Operating expenses	(23,991)	(23,860)	0.5
Operating profit	9,240	7,895	17.0
Add : Share of (losses) profit of associate	(49)	24	(304.2)
Profit before income tax	**9,191**	**7,919**	**16.1**
Less : Income tax expense	(1,790)	(1,602)	11.7
Profit for the year	**7,401**	**6,317**	**17.2**
Attributable to:			
Equity holders of the Company	6,043	4,948	22.1
Minority interests	1,358	1,369	(0.8)
	7,401	**6,317**	**17.2**

Revenue

The Group's overall revenue increased by approximately $1.4 million or 1.5% from $91.7 million for the year ended 31 December 2007 to $93.1 million for the year ended 31 December 2008. All business activities registered growth in revenue in FY 2008.

Ornamental Fish

The Group's continuous effort to increase the export of ornamental fish to more customers and countries around the world from Singapore, Thailand and Malaysia has contributed to the improved Ornamental Fish revenue in FY 2008 as compared to FY 2007. In addition, the Dragon Fish sales continued to benefit from the rising demand in the current financial year except for the shortage in its supply during the 4th quarter which has affected the total revenue contribution derived from the Ornamental Fish business in FY 2008.

Accessories

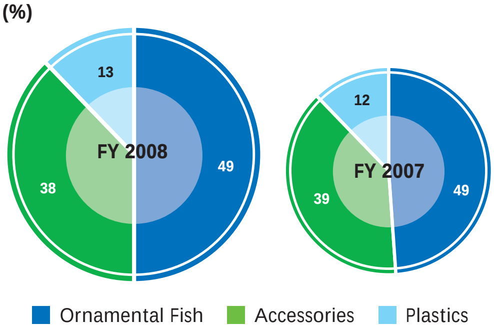
In FY 2008, with the Accessories business being more export-oriented, managed to leverage on the Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. The Group's subsidiaries in Malaysia, Thailand and China have also managed to continue expanding their distribution network in those countries to capture more sales in FY 2008 as compared to FY 2007. The increase, nevertheless, was partially offset by the reduction in revenue contribution from the Guangzhou factory during the 3rd quarter of 2008, mainly due to a temporary delay in the roll-out of new products commissioned by its OEM customers when the production plan originally scheduled in September 2008 was deferred to October 2008. The production of these new products has since commenced in mid-October with regular delivery and increasing revenue recorded for the rest of the financial year.

Plastics

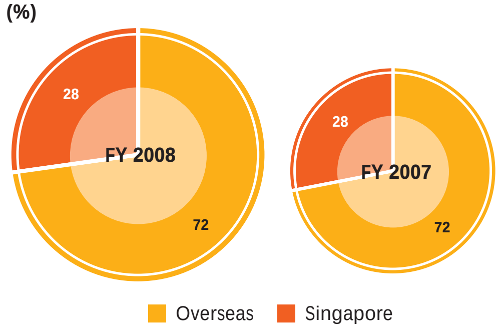
Revenue from Plastics activities was experiencing steady growth every quarter. Its revenue registered in FY 2008 continued to improve as compared to the previous financial year as it managed to focus on generating sales through selling more high value items and expanding its distribution channel and enlarged customer base.

On a geographical basis, revenue from Singapore dipped marginally by 1.0% while overseas revenue grew by 2.5% in FY 2008 as compared to FY 2007. Both the Singapore and overseas operations' constant effort in expanding their distribution network into overseas untapped markets contributed to the increase in overseas revenue.

REVENUE BY BUSINESS ACTIVITIES
(%)



REVENUE BY GEOGRAPHICAL LOCATION
(%)



Profitability

Operating profit before taxation has increased by $1.3 million or 16.1% to $9.2 million as compared to the previous financial year. Profit after taxation attributable to equity holders of the Group has increased by $1.1 million or 22.1% from $4.9 million in FY 2007 to approximately $6.0 million in FY 2008. The Ornamental Fish business was the main profit contributor in both financial years.

Ornamental Fish

The Group's increase in operating profit from the ornamental fish activities was in line with the higher sales recorded and the better margins yielded from the sales of self-bred Dragon Fish.

Accessories

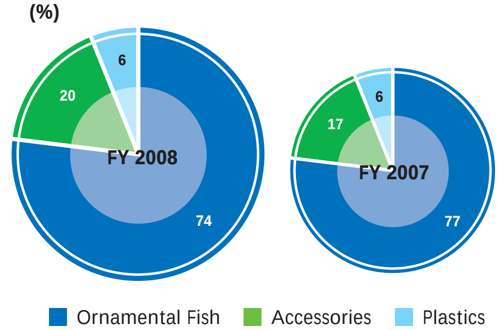
With improved revenue generated and better profit margin contributions from the export of accessories, its profitability has shown improvement in FY 2008.

In addition, with more manufacturing orders secured, the Group managed to further enhance the operational efficiency of its Guangzhou factory, which has lifted the profitability of accessories business significantly as compared to FY 2007.

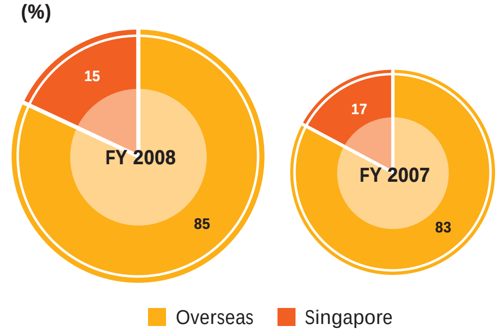
Plastics

Operating profit from the Group's plastic activities recorded promising growth in FY 2008, which was in line with the improvement in revenue.

PROFIT BY BUSINESS ACTIVITIES
(%)



PROFIT BY GEOGRAPHICAL LOCATION
(%)



Financial Position

Total assets - Increased by $11.7 million. Increase in property, plant & equipment and brooder stocks were due to the construction and expansion of existing Dragon Fish breeding facilities and additional quantity of brooder stocks in its Singapore and Malaysia Dragon Fish farms. Increase in trade receivables was mainly due to higher credit sales generated in the last quarter of FY 2008.

Total liabilities - Increased by $4.6 million as a result of increase in trade, bills and other payables of $1.4 million mainly due to higher operating activities and higher current tax payable of $0.3 million due to higher profits of the Group. In addition, the total bank borrowings have increased by approximately $3 million due to additional borrowings obtained from financial institutions utilised for capital expenditure incurred during the financial year.

Shareholders' funds - Increased from $48.0 million as at 31 December 2007 to $53.6 million as at 31 December 2008. The increase was attributed mainly to profit attributable to equity holders for the financial year.

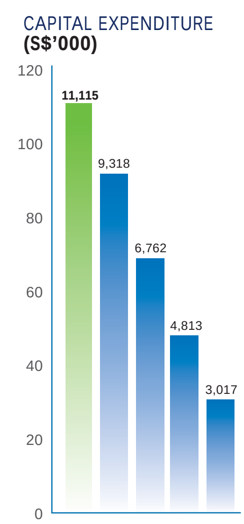
Minority interests - Increased from $7.6 million as at 31 December 2007 to $9.1 million as at 31 December 2008 was due to profit contributions from the non-wholly owned subsidiaries for the financial year.

	2008 $'000	2007 $'000	Change %
Total assets	100,512	88,823	13.2
- Property, plant and equipment	14,639	12,439	17.7
- Brooder stocks	26,746	21,365	25.2
- Inventories	23,981	23,429	2.4
- Trade receivables	20,712	17,607	17.6
- Cash and cash equivalents	6,704	5,450	23
Total liabilities	**37,778**	**33,190**	**13.8**
Total shareholders' fund	**53,591**	**47,998**	**11.7**
Total minority interests	**9,143**	**7,635**	**19.8**

Capital Expenditure

In FY 2008, with the successful tender for a new land parcel adjacent to its Singapore farm, the Group invested approximately $10 million for the construction and expansion of the Group's existing Dragon Fish breeding facilities and for the purchase of brooder stocks in its Malaysia Dragon Fish farm so as to enhance its production capabilities.

In FY 2009, a bulk of the intended capital expenditure during the year will be utilised for the construction of the Singapore Dragon Fish farm and the purchase of brooder stocks, along with the on-going maintenance of the Group's farm facilities.



Capital Structure & Financial Resources

The Group maintains a strong balance sheet and an efficient capital structure to maximise return for shareholders. The Group has sufficient cash and cash equivalents and an adequate amount of standby credit facilities. Funding of working capital requirements and capital expenditure is through a mix of short-term money market borrowings and long-term loans.

As at 31 December 2008, credit facilities in the form of short-term loans, bank overdrafts, letter of credit and other banking facilities provided by major banks to the Group amounted to approximately $33.3 million of which $18.1 million was utilised.

Cash & Cash Equivalents

The movements in cash and cash equivalents during both financial years are set out as follows:

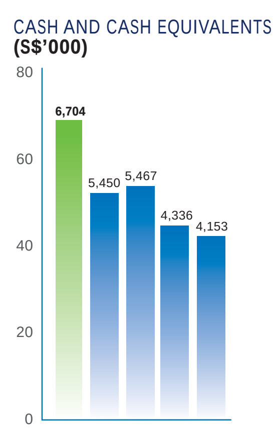
	2008 $'000	2007 $'000
Cash generated from operating activities	9,819	8,650
Cash used in investing activities	(10,788)	(9,601)
Cash generated from financing activities	2,206	921
Net increase (decrease) in cash and cash equivalents	1,237	(30)
Cash and cash equivalents as at end of year	**6,704**	**5,450**

Net cash generated from operating activities in FY 2008 was due to higher operating profit generated in the current year as compared to FY 2007. However, the profit generated has yet been fully realised into cash as the trade receivables balances has increased in accordance with the higher credit sales generated in the last quarter of FY 2008.

Net cash used in investing activities was mainly related to the purchase of brooder stocks in Kim Kang Aquaculture Sdn Bhd amounting to approximately $6.7 million and capital expenditure incurred for the expansion of the Dragon Fish breeding facilities in Singapore, as well as on-going enhancement to the infrastructure and farm facilities in overseas entities.

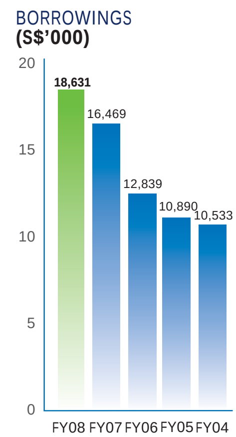
Net cash generated from financing activities in FY 2008 was related to cash proceeds from the issuance of new shares arising from exercise of warrants and the additional drawdown of bank loans granted by financial institutions mainly to finance the capital expenditure incurred. The amount was partially offset by repayment made to minority shareholder of a subsidiary and the settlement of finance lease obligations on a monthly basis, as well as the servicing of interest payments.

Cash and cash equivalents stood at $6.7 million as at 31 December 2008 as compared to $5.5 million in FY 2007.



Borrowings

The Group borrows from local and foreign banks in the form of short-term and long-term loans. As at 31 December 2008, 87% (2007: 89%) of the Group's borrowings were repayable within one year with the balance largely repayable between two to five years. Unsecured borrowings constituted approximately 97% (2007: 96%) of total borrowings with the balance secured by certain freehold land held by a subsidiary.



The amount of the Group's borrowings for the both financial years is as set out below:

	2008 $'000	2007 $'000
Due within 1 year:		
Bills payable to banks (unsecured)	4,156	5,003
Finance lease obligations	173	165
Short term bank loans (unsecured)	10,000	7,100
Long term bank loans, current portion		
- Secured	31	30
- Unsecured	237	227
Bank overdraft (unsecured)	1,623	2,067
	16,220	14,592
Due after 1 year:		
Finance lease obligations	352	332
Long term bank loans		
- Secured	76	111
- Unsecured	1,983	1,434
	2,411	1,877
Total borrowings	**18,631**	**16,469**

The short-term loans are revolving bank loans that bear interest at rates ranging from 2.31% to 3.58% (2007: 3.81% to 4.19%) per annum and are repayable within the next 12 months from the balance sheet date.

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

- a 7-year bank loan of RM0.5 million, secured by a mortgage on a subsidiary's freehold land, bears interest at 7.75% (2007: 8.00%) per annum and is repayable in 84 monthly instalments commencing January 2005;
- a 5-year unsecured bank loan of RM1.85 million, bears interest at 8.00% (2007: 8.25%) per annum and is repayable in 60 monthly instalments commencing August 2006;
- a 10-year unsecured bank loan of RM2.5 million, bears interest at 8.00% (2007: 8.25%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- a 5-year unsecured bank loan of RM3.0 million, of which RM2.0 million was drawndown as at 31 December 2008, bears interest at 7.50% (2007: Nil) per annum and is repayable in 60 monthly instalments commencing upon the full drawdown of the loan.

Corporate Guarantees

As at 31 December 2008, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $10.5 million (2007: $9.6 million), of which approximately $8.1 million (2007: $8.9 million) had been utilised.

Risk Factors & Risk Management

Risk management forms an integral part of business management. The Group's risk and control policy is designed to provide reasonable assurance that objectives are met by integrating management control into daily operations, by ensuring compliances with legal requirements and by safeguarding the integrity of the Group's financial reporting and its related disclosures. It makes Management responsible for identifying the critical business risks and the implementation of appropriate risk management processes.

The following sets out an overview of Qian Hu's approach to risk management and business control with a brief description of the nature and the extent of its exposure to these risks. The risk overview, however, is not exhaustive.

Market risk

The Group has established subsidiaries in four countries. These subsidiaries are exposed to changes in government regulations and unfavourable political developments, which may limit the realisation of business opportunities and investments in those countries. In addition, the Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets. Although these circumstances may be beyond its control, the Board and the Management consistently keep themselves up-to-date on the changes in political and industry regulations so as to be able to anticipate or respond to any adverse changes in market conditions in an efficient and timely manner.

Business risk

Ornamental fish, like other livestock, is susceptible to diseases and infections. 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 its domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for its fishes. Currently, all the Group's domestic and overseas fish operations have attained ISO 9002 certification.

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 four countries with assets and activities spreading across the Asia Pacific. As at 31 December 2008, almost 70% of the Group's assets are located overseas. Revenue from its overseas' customers constitute approximately 72% of the total revenue in FY 2008. In view of the Group's expansion plan, the percentage of its overseas assets and activities will continue to increase moving forward. The effect of greater geographical diversification reduces the risk of concentration in a single operation.

It is also noted that Qian Hu has always been viewed as a family business largely run and controlled by the Yap family. However, in fact, it is run by a team of dedicated Qian Hu family members, not solely by the Yap family members. Although no individual is indispensible, the loss of specialised skills and the leadership of Executive Chairman & Managing Director, Mr Kenny Yap, and the other founding members, including its key management, could result in business interruptions and a loss in shareholders' confidence. To dispel the worries, the Group has since put in place a structured succession planning programme to identify and develop a team of talented employees based on their merit – family members are not given special preferences – who can take Qian Hu to the next lap of growth. The Group believes that training a team of next-generation leaders is critical to the continuity of the business which should last beyond this generation.

Product risk

For the year ended 31 December 2008, Dragon Fish sales contributed approximately 25% of the Group total revenue. Qian Hu sells over 1,000 species and varieties of ornamental fish and more than 3,000 kinds of accessories products to more than 80 countries and are not reliant on the sale of any particular type or species of fish or accessories products.

Investment risk

The Group grows 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 due diligence exercises and are supported by external professional advices. All business proposals are reviewed by the Group's Board of Directors and its senior management before obtaining final Board approval.

Foreign exchange risk

The foreign exchange risk of the Group arises from sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily the United States Dollar, Euro, Malaysian Ringgit and Chinese Renminbi.

The Group does not have any formal hedging policy against foreign exchange fluctuations. However, it continuously monitors the exchange rates of major currencies and enters into hedging contracts with banks from time to time whenever the Management detects any movements in the respective exchange rates which may impact 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 foreign exchange exposure.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due. Credit risk is managed through the application of credit approvals, performing credit evaluations, setting credit limits and monitoring procedures.

None of the Group's customers or suppliers contributes more than 5% to its revenue and purchases. It is the Group's policy to sell to a wide range of creditworthy customers so as to reduce concentration of credit risk. Cash terms, advance payments are required for customers with lower credit standing.

While the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Accordingly, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

Interest rate risk

Interest rate risk is managed by the Group on an on-going basis with the objective to limit the extent to which the Group's results could be affected by an adverse movement in interest rate.

The Group's cash balances are placed with reputable banks and financial institutions. For financing 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 as and when they fall due. To manage liquidity risk, the Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows.

Derivative financial instrument risk

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

QIAN HU CORPORATION LIMITED
COMPANY REGISTRATION NO.: 199806124N

No. 71 Jalan Lekar Singapore 698950
Tel: (65) 6766 7087 Fax: (65) 6766 3995
www.qianhu.com

Corporate Governance Report

The Board of Directors and Management continue to be committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Singapore Code of Corporate Governance 2005 (the "Code") issued by the Ministry of Finance on 14 July 2005.

This report, set out in a tabular form, describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code. The Board is pleased to confirm that for the financial year ended 31 December 2008, the Company has generally adhered to the principles and guidelines as set out in the Code, except for Guideline 3.1 (Chairman and CEO should be separate persons), the reason for which deviation is explained below.

BOARD MATTERS

The 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 is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
1.1 The board's role is to: (a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives; (b) establish a framework of prudent and effective controls which enables risk to be assessed and managed; (c) review management performance; and (d) set the company's values and standards, and ensure that obligations to shareholders and others are understood and met.	The primary function of the Board is to protect and enhance the long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board roles are to: • guide the formulation of the Group's overall long-term strategic objectives and directions; • oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance; • ensure management discharges business leadership and management skills with the highest level of integrity; • approve major investment and divestment proposals, material acquisitions and disposals of assets, major corporate policies on key areas of operations, annual budget, the release of the Group's quarterly, half year and full year results and interested person transactions of a material nature; and • assume responsibility for corporate governance.
1.2 All directors must objectively take decisions in the interests of the company.	The Board of Directors is obliged to act in good faith and to consider at all times the interest of the Company.
1.3 If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation should be disclosed.	To assist in the execution of its responsibilities, the Board has delegated decisions on certain Board matters to specialised Board Committees. Minutes of the Board Committee meetings are available to all Board members. Please refer to Table 1 – Board and Board Committees.

Guidelines of the Code		Qian Hu Corporate Governance practices
1.4	The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association to provide for telephonic and videoconference meetings. The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's annual report.	The Articles of Association of the Company provide for directors to conduct meetings by teleconferencing or videoconferencing. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. Please refer to Table 2 – Attendance at Board and Board Committee Meetings.
1.5	Companies should adopt internal guidelines setting forth matters that require board approval, and specify in their corporate governance disclosures the type of material transactions that require board approval under such guidelines.	The Company has adopted a set of Approving Authority & Limit, setting out the level of authorisation required for specified transactions, including those that require Board approval.
1.6	Every director should receive appropriate training when he is first appointed to the Board. This should include an orientation program to ensure that incoming directors are familiar with the company's business and governance practices. It is equally important that directors should receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.	All new directors undergo comprehensive orientation and training to provide them with extensive background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. The Board as a whole is updated regularly on risks management, corporate governance and the key changes in the relevant regulatory requirements and financial reporting standards.
1.7	Upon appointment of each director, companies should provide a formal letter to the director, setting out the director's duties and obligations.	A formal letter is sent to newly-appointed directors upon their appointment explaining their statutory and other duties and responsibilities as a director.
1.8	The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.	The Company has an on-going budget for all directors to receive further relevant training of their choice in connection with their duties. Relevant courses include programmes run by the Singapore Institute of Directors or other training institutions.

Board Composition and Guidance

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.

Guidelines of the Code	Qian Hu Corporate Governance practices
2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	The Board comprises seven directors of which three are independent directors. Please refer to Table 1 – Board and Board Committee.
2.2 If the company wishes to consider the director as independent, in spite of the existence of one or more of these relationships as defined in the Code, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.	The independence of each Director is reviewed annually by the Nominating Committee ("NC") based on the guidelines set out in the Code. With three 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.
2.3 The Board should, taking into account the scope and nature of the operations of the company, examine the size and determine an appropriate size for the Board, which facilitates effective decision making.	The Board effectively serves the Company and the Group with its current board size and composition.
2.4 The Board should comprise directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.	The Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. Each director has been appointed based on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.
2.5 Non-executive directors should: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	The independent directors communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and the remuneration of the Executive Directors.
2.6 Non-executive directors are encouraged to meet regularly without management present.	Where necessary, the Company co-ordinates informal meetings for independent directors to meet without the presence of the Management.

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.

Guidelines of the Code	Qian Hu Corporate Governance practices
3.1 The Chairman and chief executive officer ("CEO") should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and CEO should be clearly established, set out in writing and agreed by the Board. In addition, companies should disclose the relationship between the Chairman and CEO where they are related to each other.	The Board is of the view that it is in the best interest 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. All major decisions made by the Executive Chairman and CEO are reviewed by the Audit Committee ("AC"). His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the Remuneration Committee ("RC"). As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.
3.2 The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role and set its agenda; (b) ensure that the directors receive accurate, timely and clear information; (c) ensure effective communication with shareholders; (d) encourage constructive relations between the Board and Management; (e) facilitate the effective contribution of non-executive directors in particular; (f) encourage constructive relations between executive directors and non-executive directors; and (g) promote high standards of corporate governance.	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. In addition to the day-to-day running of the Group, he is to ensure that each member of the Board and the Management works well together with integrity and competency. As the Executive Chairman and CEO, he, with the assistance of the Company Secretaries, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness and timeliness of information flow between the Board, Management and shareholders of the Company. He encourages constructive relations between the Board and the Management and between the executive directors and the independent directors. He also takes a leading role in ensuring the Company's compliance with corporate governance guidelines.
3.3 Companies may appoint an independent non-executive director to be the lead independent director where the Chairman and the CEO is the same person, where the Chairman and the CEO are related by close family ties, or where the Chairman and the CEO are both part of the executive management team.	The Board appointed Mr Robson Lee Teck Leng as the lead independent director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute a balanced viewpoint to the Board.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

	Guidelines of the Code	Qian Hu Corporate Governance practices
4.1	Companies should: (a) establish a Nominating Committee ("NC") comprising at least three directors, a majority of whom, including the Chairman, should be independent of any substantial shareholders; and (b) disclose the membership in the annual report The NC should have written terms of reference that describe the responsibilities of its members.	The Board established the NC in July 2002 which consists of three independent directors. The NC Chairman is not associated in any way with the substantial shareholders of the Company. The responsibilities of the NC are described in its written terms of reference. Please refer to Table 1 – Board and Board Committee – on the composition of the NC.
4.2	The NC should be charged with the responsibility of re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.	The role of the NC includes the responsibility for re-nomination of directors who retire by rotation. All directors, including the CEO, 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 Board of directors are to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). In addition, Article 88 of the Company's Article of Association provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every three years.
4.3	The NC is charged with the responsibility of determining annually if a director is independent, bearing in mind the circumstances set forth in Guideline 2.1 and any other salient factors. If the NC determines that a director who has one or more of the relationships mentioned therein can be considered independent, the company should make such disclosure as stated in Guideline 2.2.	The NC conducts an annual review of directors' independence and is of the view that Mr Tan Tow Ee, Mr Robson Lee Teck Leng and Mr Chang Weng Leong are independent and that no individual or small group of individual dominates the Board's decision-making process.
4.4	The NC should decide if a director who has multiple board representations is able to and has been adequately carrying out his/her duties as a director of the company. Internal guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards.	The NC has reviewed and is satisfied that Mr Robson Lee Teck Leng and Ms Lai Chin Yee, who sit on multiple boards, have been able to devote adequate time and attention to the affairs of the Company to fulfill their duties as directors of the Company, in addition to their multiple board appointments. It is the Company's policy that a director should not hold more than 8 directorships in listed companies.

Guidelines of the Code	Qian Hu Corporate Governance practices
4.5 A description of the process for the selection and appointment of new directors to the Board, including the search and nomination process, should be disclosed.	The NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointments of new directors. The NC then nominates the most suitable candidate who is then appointed to the Board.
4.6 The following information regarding directors, should be disclosed in the annual report of the Company: • academic and professional qualifications; • shareholding in the company and its subsidiaries; • board committees served on (as a member or Chairman), date of first appointment and last-election as a director; • directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments; • indicate which directors are executive, non-executive or considered by the NC to be independent; and The names of the directors submitted for election or re-election should also be accompanied by such details and information to enable shareholders to make informed decisions.	The profiles of the directors are set out on pages 24 and 25 of this Annual Report. Please refer to Table 3 – Date of Directors' initial appointment & last re-election and their directorships. Except as disclosed in Table 3, there were no other directorships or chairmanships held by the directors over the preceding three years in other 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.

Guidelines of the Code	Qian Hu Corporate Governance practices
5.1 Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. This assessment process should be disclosed in the annual report.	The NC has established a review process to assess the performance and effectiveness of the Board as a whole as well as to access the contribution of individual directors. The Board, through the NC, has used its best effort to ensure that directors appointed to the Board, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decision.
5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long term shareholders' value.	Reviews of the Board's performance, as appropriate, is undertaken collectively by the Board annually and informally on a continual basis by the NC with inputs from the Board members.

Guidelines of the Code		Qian Hu Corporate Governance practices
5.3	Performance evaluation should also consider the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers.	Please refer to Guideline 5.5 below.
5.4	Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties). The Chairman should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors, in consultation with the NC.	Please refer to Guideline 5.1 above. Replacement of directors, when it happens, does not reflect their contributions to date, but may be driven by the need to align the Board with the medium or long term needs of the Group.
5.5	Other performance criteria that may be used include return on assets ("ROA"), return on equity ("ROE"), return on investment ("ROI") and economic value added ("EVA") over a longer-term period.	The Board has taken the view that financial indicators, as set out in the Code as a guide for the evaluation of the Board and its directors, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to directors.

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.

Guidelines of the Code		Qian Hu Corporate Governance practices
6.1	Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his or her duties properly. Hence, the Board should have separate and independent access to the company's senior management.	All directors have unrestricted access to the Company's records and information. From time to time, they are 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. As a general rule, detailed Board papers prepared for each meeting are circulated five days in advance of each meeting. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. 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 Secretaries and to other senior management executives of the Company and of the Group at all times in carrying out their duties.

Guidelines of the Code		Qian Hu Corporate Governance practices
6.2	Information provided should include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	The Board receives monthly management financial statements, annual budgets and explanation on forecast variances to enable them to oversee the Group's operational and financial performance.
6.3	Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.	Complied. The Company Secretaries attend all Board meetings and meetings of the Board committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with.
6.4	The appointment and the removal of the company secretary should be a matter for the Board as a whole.	Complied.
6.5	The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.	Where the directors, whether individually or as a group, require independent professional advice in furtherance of their duties, the Company Secretaries will appoint a professional advisor to render the advice and keep the Board informed of such advice, with cost to be borne by the Company.

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.

Guidelines of the Code		Qian Hu Corporate Governance practices
7.1	The Board should set up a Remuneration Committee ("RC") comprising entirely of non-executive directors, the majority of whom, including the Chairman, should be independent, to minimize the risk of any potential conflict of interest.	The Board established the RC in July 2002 which consists of three independent directors. Please refer to Table 1 – Board and Board Committee – on the composition of the RC.

Guidelines of the Code		Qian Hu Corporate Governance practices
7.2	The RC will recommend to the Board a framework of remuneration and the specific remuneration packages for each director and the CEO (or executive of equivalent rank) if the CEO is not a director. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind. The RC will also review the remuneration of senior management.	The RC is responsible for ensuring a formal and transparent procedure for developing the policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management. It reviews the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progressive policies. The RC recommends to the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind and specific remuneration packages for each director. No director is involved in deciding his own remuneration.
7.3	The RC should seek expert advice inside and/or outside the company on remuneration of all directors.	The RC has access to expert advice in the field of executive compensation outside the Company where required.

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 significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Guidelines of the Code		Qian Hu Corporate Governance practices
8.1	The performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing executive directors' performance.	The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the executive directors and senior management is commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key executives) is reviewed periodically by the RC and the Board.
8.2	The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors and should not be over-compensated to the extent that their independence may be compromised.	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, motivate and retain the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

Guidelines of the Code	Qian Hu Corporate Governance practices
8.3 There should be a fixed appointment period for all executive directors in their service contract which should not be excessively long or with onerous removal clauses.	The remuneration for the executive directors comprises 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. Service contracts, if any, for executive directors, are for a fixed appointment period and do not contain onerous removal clauses.
8.4 The RC should encourage long-term incentive schemes and review whether directors are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year. Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.	The RC 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 and the controlling shareholders of the Company are entitled to participate in the ESOS. Details of the ESOS are set out on pages 64 and 65 of this Annual Report.
8.5 The company should be aware of pay and employment conditions within the industry and in comparable companies when setting remuneration packages.	In setting remuneration packages, the Company takes into consideration the remuneration 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.
8.6 Notice periods in service contracts should be set at a period of six months or less.	All executive directors have in their service contracts notice period of six months or less.

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. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Guidelines of the Code	Qian Hu Corporate Governance practices
9.1 The company should report to the shareholders each year on the remuneration of directors and at least the top 5 key executives (who are not also directors) of the company.	Please refer to Table 4 – Remuneration of Directors and key executives.
9.2 The report should set out the names of directors and at least the top 5 key executives (who are not also directors) earning remuneration which falls within bands of S$250,000. Companies are however encouraged, as best practice, to fully disclose the remuneration of each individual director.	Please refer to Table 4.

Guidelines of the Code	Qian Hu Corporate Governance practices
9.3 The annual report should disclose, on a no-name basis with clear indication of which director or the CEO the employee is related to, the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceed S$150,000 during the year.	Please refer to Table 4.
9.4 The annual report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies.	Details of the ESOS are set out on pages 64 and 65 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guidelines of the Code	Qian Hu Corporate Governance practices
10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	The Board provides shareholders with quarterly and annual financial reports within 30 days of the quarter end and within 15 days of the financial year end respectively. In presenting the annual financial statements and quarterly announcements to shareholders promptly, it is the aim of the Board to provide the shareholders with a detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospects.
10.2 Management should provide all members of the Board with management accounts which present a balanced and understandable assessment of the company's performance, position and prospects on a monthly basis.	The Management provides the Board a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. On a monthly basis, Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

Audit Committee

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

Guidelines of the Code	Qian Hu Corporate Governance practices
11.1 The AC should comprise at least three directors, all non-executive, the majority of whom, including the Chairman, should be independent.	The Board established the AC in October 2000 which consists of three independent directors. Please refer to Table 1 – Board and Board Committee – on the composition of the AC.

Guidelines of the Code			Qian Hu Corporate Governance practices
11.2	The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.		The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.
11.3	The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.		The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any executive director or executive officer to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.
11.4	The duties of the AC should include:		
	(a)	reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;	The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.
	(b)	reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;	The AC meets on a quarterly basis to review the quarterly and audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval.
	(c)	reviewing the adequacy of the company's internal controls;	The AC evaluates the adequacy of the internal control systems of the Company through discussion with the Management and its auditors.
	(d)	reviewing the effectiveness of the company's internal audit function; and	The AC discusses with the Management the significant internal audit observations, together with the Management's responses and actions to correct any deficiencies. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.
	(e)	making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.	The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.
11.5	The AC should meet with the external auditors, and with the internal auditors, without the presence of the company's Management, at least annually.		The AC meets with the internal auditors and the external auditors separately, at least once a year, without the presence of the Management to review any matters that might be raised.

Guidelines of the Code	Qian Hu Corporate Governance practices
11.6 The AC should review the independence of the external auditors annually.	There was no non-audit related work carried out by the external auditors during the current financial year. The AC is satisfied with their independence.
11.7 The AC should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.	The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to Mr Chang Weng Leong, Chairman of the RC. Details of the whistle-blowing policies and arrangements have been made available to all employees.
11.8 The Board should disclose the names of the members of the AC and details of the Committee's activities in the company's annual report.	Please refer to Table 1 – Board and Board Committee – on names of the members of the AC. The AC meets regularly with the Management and the external auditors to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. The AC also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses accounting implications of major transactions including significant financial reporting issues.

Internal Controls

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.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.1 The AC should, with the assistance of internal and/or public accountants, review the adequacy of the company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management at least annually.	The external and internal auditors conduct annual reviews of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Any material non-compliance and recommendation for improvement are reported to the AC. The AC, on behalf of the Board, also reviews the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting the operations. Based on the reports submitted by the external and internal auditors and the various controls put in place by the Management, the AC is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.2 The Board should comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the company's annual report.	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 mitigating actions in place and proposed in respect of each significant risk. The approach to risk management and internal controls are set out on pages 41 and 42 of this Annual Report.

Internal Audit

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

Guidelines of the Code	Qian Hu Corporate Governance practices
13.1 The Internal Auditor's ("IA") primary line of reporting should be to the Chairman of the AC although the Internal Auditor would also report administratively to the CEO.	The internal audit function is out-sourced to a certified public accounting firm. The internal auditors report primarily to the Chairman of the AC.
13.2 The IA should meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	The internal auditor is a member of the Singapore branch of the Institute of Internal Auditors ("IIA"), which has its headquarter in the United States. The audit work carried out is guided by the Standards for the Professional Practice of Internal Auditing set by the IIA.
13.3 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.	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 control systems and procedures are monitored by the Management and the internal audit function is out-sourced to a certified public accounting firm.
13.4 The AC should, at least annually, ensure the adequacy of the internal audit function.	The internal auditors plan its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of the improvements required on internal control weaknesses identified.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

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

Guidelines of the Code	Qian Hu Corporate Governance practices
14.1 Companies should regularly convey pertinent information, gather views or inputs, and address shareholders' concerns. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	The Company has adopted quarterly results reporting since 2001. 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 informed in a comprehensive manner all material developments that impact the Group through SGXNET and press releases on an immediate basis.
14.2 Companies should disclose information on a timely basis. Where there is inadvertent disclosure made to a selected group, companies should make the same disclosure publicly to all others as soon as practicable. This could be through the use of modern technology such as Internet websites.	All material information on the performance and development of the Group and of the Company is disclosed in a timely manner. The Company does not practice selective disclosure of material information. All materials on the quarterly, half-yearly and full year financial results and the webcasts of the half-yearly and full year results briefing for analysts and media are available on the Company's website – www.qianhu.com

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.

Guidelines of the Code	Qian Hu Corporate Governance practices
15.1 Shareholders should have the opportunity to participate effectively and to vote in AGMs. They should be allowed to vote in person or in absentia. Companies are encouraged to make the appropriate provisions in their Articles of Association to allow for absentia voting methods such as by mail, email, fax, etc, if the shareholders so consent.	The Articles of Association allow a shareholder of the Company to appoint up to 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 amendments to recognise electronic voting.
15.2 There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", companies should explain the reasons and material implications.	All the resolutions at the AGM are single item resolutions.

Guidelines of the Code	Qian Hu Corporate Governance practices
15.3 The chairpersons of the Audit, Nomination and Remuneration committees should be present and available to address questions at general meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.	The Chairmen of the Executive, Audit, Remuneration and Nominating Committees are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees. The Company's external auditors are also invited to attend the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.
15.4 Companies are encouraged to amend their Articles of Association to avoid imposing a limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend AGMs as proxies.	Whilst there is no limit imposed on the number of proxy votes for nominee companies, our Articles of Association allow each shareholder to appoint up to two proxies to attend AGMs.
15.5 Companies are encouraged to prepare minutes or notes of general meetings, which include substantial comments or queries from shareholders and responses from the Board and management, and to make these minutes or notes available to shareholders upon their requests.	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 the Management questions regarding the Company and its operations. For the past six years AGM, the Board has developed several channels, which include the Group's website, an automated hotline, email or fax for shareholders who are not able to attend the AGM, to contribute their feedback and inputs. Questions received are answered during the AGM and detailed AGM minutes are posted on both the SGX and the Company's websites after the meeting.

DEALING IN SECURITIES

The Group has adopted an internal code which prohibits the directors and key executives of the Group from dealing in the Company's shares during the period of two weeks and one month immediately preceding the announcement of the Company's quarterly and full-year results respectively, or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

INTERESTED PERSON TRANSACTIONS

Disclosure of interested person transactions is set out on page 109 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 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.

TABLE 1 – BOARD AND BOARD COMMITTEES

Name of director	Board Membership	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Kenny Yap Kim Lee	Executive/Non-independent	Chairman	–	–	–
Alvin Yap Ah Seng	Executive/Non-independent	Member	–	–	–
Andy Yap Ah Siong	Executive/Non-independent	Member	–	–	–
Lai Chin Yee	Executive/Non-independent	Member	–	–	–
Robson Lee Teck Leng	Non-executive/Independent	–	Chairman	Member	Member
Chang Weng Leong	Non-executive/Independent	–	Member	Member	Chairman
Tan Tow Ee	Non-executive/Independent	–	Member	Chairman	Member

TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name of director	Board	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	4	12	4	1	2
Number of meetings attended:					
Kenny Yap Kim Lee	4	12	4*	–	–
Alvin Yap Ah Seng	4	12	4*	–	–
Andy Yap Ah Siong	4	12	4*	–	–
Lai Chin Yee	4	12	4*	–	–
Robson Lee Teck Leng	4	–	4	1	2
Chang Weng Leong	3	–	3	1	2
Tan Tow Ee	4	–	4	1	2

* By invitation

TABLE 3 – DATE OF DIRECTOR'S INITIAL APPOINTMENT & LAST RE-ELECTION AND THEIR DIRECTORSHIPS

Name of director	Age	Date of initial appointment	Date of last re-election	Directorships in listed companies
Kenny Yap Kim Lee	43	12 December 1998	10 March 2006	Qian Hu Corporation Limited
Alvin Yap Ah Seng	43	12 December 1998	19 March 2007	Qian Hu Corporation Limited
Andy Yap Ah Siong	42	12 December 1998	19 March 2007	Qian Hu Corporation Limited
Lai Chin Yee	43	1 November 2004	11 March 2008	Qian Hu Corporation Limited
				China Sports International Limited (appointed on 4 June 2007)
Robson Lee Teck Leng	40	18 October 2000	11 March 2008	Qian Hu Corporation Limited
				Sim Lian Group Limited (appointed on 18 September 2002)
				Serial System Limited (appointed on 30 December 2002)
				Youcan Foods International Ltd (appointed on 30 September 2004)
				Best World International Limited (appointed on 15 March 2005)
				Man Wah Holdings Limited (appointed on 26 April 2005)
				Matex International Limited (appointed on 25 April 2006)
				China Energy Limited (appointed on 27 October 2006; resigned on 29 September 2008)
Chang Weng Leong	46	18 October 2000	11 March 2008	Qian Hu Corporation Limited
Tan Tow Ee	46	1 May 2002	10 March 2006	Qian Hu Corporation Limited

According to Article 89 of the Company's Articles of Association, Mr Kenny Yap Kim Lee, Mr Alvin Yap Ah Seng and Mr Tan Tow Ee will retire at the Company's forthcoming AGM and be eligible for re-election.

The shareholdings of the individual directors of the Company are set out on page 63 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

TABLE 4 – REMUNERATION OF DIRECTORS AND KEY EXECUTIVES

The breakdown of the gross remuneration of the Directors of the Company for the year ended 31 December 2008 is set out below:

Name of director	Basic/Fixed salary* $	Bonus* $	Directors' fees $	Gross remuneration $
Kenny Yap Kim Lee	247,836	70,000	–	317,836
Alvin Yap Ah Seng	211,836	70,000	–	281,836
Andy Yap Ah Siong	211,836	70,000	–	281,836
Lai Chin Yee	205,836	65,138	–	270,974
Robson Lee Teck Leng	–	–	18,000	18,000
Chang Weng Leong	–	–	18,000	18,000
Tan Tow Ee	–	–	18,000	18,000
	877,344	275,138	54,000	1,206,482

* The salary and bonus amounts shown are inclusive of allowances (if any) and Central Provident Fund contributions.
None of the directors of the Company are entitled to participate in the Employees' Share Option Scheme (ESOS).

The gross remuneration paid to the 10 top-earning executives of the Group (who are not directors) for the year ended 31 December 2008 is set out below:

Name of key executives	Gross Remuneration* $'000
Yap Kim Choon	206
Yap Hock Huat	147
Yap Ping Heng	110
Yap Kim Chuan	116
Jimmy Tan Boon Kim	189
Low Eng Hua	158
Lee Kim Hwat	157
Goh Siak Ngan	170
Bob Goh Ngian Boon	111
Raymond Yip Chee Weng	131

* 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, Mr Yap Kim Choon and Mr Yap Kim Chuan are 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.

Financial Statements

Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2008.

Directors

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

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

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings in the name of the director			Holdings in which the director is deemed to have an interest		
	1/1/2008	31/12/2008	9/1/2009	1/1/2008	31/12/2008	9/1/2009
The Company						
Ordinary shares						
Kenny Yap Kim Lee	17,000,000	17,000,000	17,000,000	–	–	–
Alvin Yap Ah Seng	18,700,000	18,700,000	18,700,000	–	–	–
Andy Yap Ah Siong	18,700,000	18,700,000	18,700,000	–	–	–
Lai Chin Yee	241,200	241,200	241,200	–	–	–
Robson Lee Teck Leng	6,600	6,600	6,600	–	–	–
Chang Weng Leong	118,800	118,800	118,800	–	–	–
Tan Tow Ee	30,000	30,000	30,000	360,000	360,000	360,000
Warrants						
Kenny Yap Kim Lee	2,700,000	2,700,000	2,700,000	–	–	–
Alvin Yap Ah Seng	3,104,552	3,104,552	3,104,552	–	–	–
Andy Yap Ah Siong	3,104,552	3,104,552	3,104,552	–	–	–
Lai Chin Yee	80,200	80,200	80,200	–	–	–
Chang Weng Leong	19,800	19,800	19,800	–	–	–
Tan Tow Ee	805,000	805,000	805,000	60,000	60,000	60,000

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

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 2009, 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' interests (Cont'd)

Except as disclosed under the "Share Options and Warrants" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 21 to the financial statements, since the end of the last financial year, no director 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 he is a member, or with a company in which he has a substantial financial interest.

Share options and Warrants

Share options

The Qian Hu Post-IPO Employees' Share Option Scheme (the "Post-IPO Scheme") of the Company was approved and adopted by its members at an 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 Scheme is administered by the Post-IPO 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 options shall only be granted on or after the 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.

Share options (Cont'd)

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.

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

	Options granted during financial year ended 31/12/2008	Aggregate options granted since commencement of Scheme to 31/12/2008	Aggregate options exercised since commencement of Scheme to 31/12/2008	Aggregate options outstanding as at 31/12/2008
Name of participant				
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 150,000 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 no unissued ordinary shares of the Company under the Post-IPO Scheme. The movements of share options outstanding are disclosed in note 16 to the financial statements.

Warrants

At the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follows:

Date of issue	Warrants outstanding at 1/1/2008	Warrants issued	Warrants exercised	Warrants expired	Warrants outstanding at 31/12/2008	Date of expiration
25/9/2007	42,850,391	–	(3,312,990)	–	39,537,401	19/9/2010

Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of $0.035 per share. The warrants do not entitle the holders of the warrants, by virtual of such holdings, to any rights to participate in any share issue of any other company. During the financial year, the Company issued 3,312,990 shares pursuant to the exercise of warrants as disclosed above.

As at the end of the financial year, except as reported above, no other options or warrants 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 or warrants to take up unissued shares of the Company or its subsidiaries. Except for the abovementioned outstanding warrants, no other options to take up unissued shares of the Company or its subsidiaries were outstanding as at the end of the financial year.

Audit committee

The members of the Audit Committee during the financial year and at the date of this report are:

- Robson Lee Teck Leng (Chairman), non-executive director
- Chang Weng Leong, non-executive director
- Tan Tow Ee, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

12 January 2009

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 71 to 118 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results and changes in equity of the Group and the Company, and of the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

12 January 2009

Independent Auditors' Report

Members of the Company Qian Hu Corporation Limited

We have audited the accompanying financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2008, the income statements and statements of changes in equity of the Group and the Company, and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 71 to 118.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members of the Company Qian Hu Corporation Limited

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet, income statement and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
12 January 2009

Balance Sheets

As at 31 December 2008

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Non-current assets					
Property, plant and equipment	3	14,639,378	12,438,592	4,680,364	2,653,895
Biological assets	4	26,745,893	21,365,162	1,196,790	1,225,980
Intangible assets	5	2,205,392	2,139,436	239,772	173,816
Subsidiaries	6	–	–	11,991,086	11,152,586
Associate	7	787,794	836,467	812,600	812,600
		44,378,457	36,779,657	18,920,612	16,018,877
Current assets					
Biological assets	4	1,595,170	1,420,870	444,690	245,800
Inventories	8	22,385,773	22,008,603	7,512,040	6,715,116
Trade and other receivables	9	23,825,390	21,097,803	30,196,802	28,620,642
Cash and cash equivalents	10	8,327,171	7,516,426	5,493,604	4,767,988
		56,133,504	52,043,702	43,647,136	40,349,546
Total assets		100,511,961	88,823,359	62,567,748	56,368,423
Equity attributable to equity holders of the Company					
Share capital	11	29,411,915	29,295,961	29,411,915	29,295,961
Reserves	12	24,179,248	18,701,650	13,427,936	10,859,010
		53,591,163	47,997,611	42,839,851	40,154,971
Minority interests		9,143,011	7,635,185	–	–
Total equity		62,734,174	55,632,796	42,839,851	40,154,971
Non-current liabilities					
Financial liabilities	13	2,410,376	1,877,553	108,041	73,537
Deferred tax liabilities	14	3,594,196	2,939,245	100,000	135,000
		6,004,572	4,816,798	208,041	208,537
Current liabilities					
Trade and other payables	15	14,494,694	13,007,597	8,273,810	7,034,653
Financial liabilities	13	16,220,343	14,591,075	10,710,747	8,500,987
Current tax payable		1,058,178	775,093	535,299	469,275
		31,773,215	28,373,765	19,519,856	16,004,915
Total liabilities		37,777,787	33,190,563	19,727,897	16,213,452
Total equity and liabilities		100,511,961	88,823,359	62,567,748	56,368,423

This accompanying notes form an integral part of these financial statements.

Income Statements

Year ended 31 December 2008

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Revenue	17	93,062,365	91,720,187	45,748,958	50,773,267
Cost of sales		(59,991,356)	(60,175,025)	(31,791,481)	(36,601,297)
Gross profit		33,071,009	31,545,162	13,957,477	14,171,970
Other income		161,156	209,816	631,018	874,293
Selling and distribution expenses		(2,698,443)	(2,805,399)	(1,113,313)	(1,322,452)
General and administrative expenses		(20,438,090)	(20,221,610)	(10,269,154)	(10,420,119)
Results from operating activities		10,095,632	8,727,969	3,206,028	3,303,692
Finance income		21,140	7,415	14,141	5,349
Finance expenses		(876,568)	(839,772)	(371,243)	(381,130)
Net finance expenses	18	(855,428)	(832,357)	(357,102)	(375,781)
Share of (losses) profits of associate, net of income tax		(48,673)	23,867	–	–
Profit before income tax	19	9,191,531	7,919,479	2,848,926	2,927,911
Income tax expense	20	(1,790,412)	(1,602,639)	(280,000)	(381,707)
Profit for the year		7,401,119	6,316,840	2,568,926	2,546,204
Attributable to:					
Equity holders of the Company		6,042,747	4,948,168	2,568,926	2,546,204
Minority interests		1,358,372	1,368,672	–	–
Profit for the year		7,401,119	6,316,840	2,568,926	2,546,204
Earnings per share (cents)	22				
Basic		1.46	1.34		
Diluted		1.36	1.23		

This accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

Year ended 31 December 2008

	Note	Share capital $	Currency translation reserve $	Accumulated profits $	Total attributable to equity holders of the Company $	Minority interests $	Total equity $
Group							
At 1 January 2007		18,997,444	(587,474)	24,076,821	42,486,791	6,264,461	48,751,252
Exchange differences arising on translation of financial statements of foreign subsidiaries		–	(6,576)	–	(6,576)	2,052	(4,524)
Net gain (losses) recognised directly in equity		–	(6,576)	–	(6,576)	2,052	(4,524)
Profit for the year		–	–	4,948,168	4,948,168	1,368,672	6,316,840
Total recognised income (expense) for the year		–	(6,576)	4,948,168	4,941,592	1,370,724	6,312,316
Issue of shares							
– Exercise of employees' share options	11	624,810	–	–	624,810	–	624,810
– Rights cum warrants issue, net of issue expenses	11	8,899,665	–	–	8,899,665	–	8,899,665
– Exercise of warrants issued	11	774,042	–	–	774,042	–	774,042
First and final dividend paid of 0.6 cents per share less tax of 18% in respect of 2006		–	–	(634,054)	(634,054)	–	(634,054)
Special interim dividend paid of 8.54 cents per share less tax of 18% in respect of 2007		–	–	(9,095,235)	(9,095,235)	–	(9,095,235)
At 31 December 2007		29,295,961	(594,050)	19,295,700	47,997,611	7,635,185	55,632,796
Exchange differences arising on translation of financial statements of foreign subsidiaries		–	(565,149)	–	(565,149)	(302,046)	(867,195)
Net losses recognised directly in equity		–	(565,149)	–	(565,149)	(302,046)	(867,195)
Profit for the year		–	–	6,042,747	6,042,747	1,358,372	7,401,119
Total recognised income (expense) for the year		–	(565,149)	6,042,747	5,477,598	1,056,326	6,533,924
Issue of shares							
– Exercise of warrants issued	11	115,954	–	–	115,954	–	115,954
Capital contribution		–	–	–	–	451,500	451,500
At 31 December 2008		29,411,915	(1,159,199)	25,338,447	53,591,163	9,143,011	62,734,174

Statements of Changes in Equity (Cont'd)

Year ended 31 December 2008

	Note	Share capital $	Accumulated profits $	Total equity $
Company				
At 1 January 2007		18,997,444	18,042,095	37,039,539
Profit for the year		–	2,546,204	2,546,204
Total recognised income for the year		–	2,546,204	2,546,204
Issue of shares				
– Exercise of employees' share options	11	624,810	–	624,810
– Rights cum warrants issue, net of issue expenses	11	8,899,665	–	8,899,665
– Exercise of warrants issued	11	774,042	–	774,042
First and final dividend paid of 0.6 cents per share less tax of 18% in respect of 2006		–	(634,054)	(634,054)
Special interim dividend paid of 8.54 cents per share less tax of 18% in respect of 2007		–	(9,095,235)	(9,095,235)
At 31 December 2007		29,295,961	10,859,010	40,154,971
Profit for the year		–	2,568,926	2,568,926
Total recognised income for the year		–	2,568,926	2,568,926
Issue of shares				
– Exercise of warrants issued	11	115,954	–	115,954
At 31 December 2008		29,411,915	13,427,936	42,839,851

This accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	2008 $	2007 $
Operating activities		
Profit before income tax	9,191,531	7,919,479
Adjustments for:		
Amortisation of intangible assets	18,445	42,678
Allowances for (Write back of):		
– doubtful trade receivables	194,926	592,965
– inventory obsolescence	(21,560)	(2,900)
Bad trade receivables		
– written off	10,169	6,624
– recovered	(16,800)	–
Depreciation of:		
– property, plant and equipment	1,896,780	1,831,693
– biological assets	510,239	374,173
Property, plant and equipment written off	10,851	2,075
(Gain) loss on disposal of:		
– property, plant and equipment	(64,222)	(95,699)
– quoted equity investment	–	1,032
Change in fair value less estimated point-of-sale costs of breeder stocks	275,200	324,120
Share of losses (profit) of associate	48,673	(23,867)
Interest income	(21,140)	(7,415)
Interest expense	876,568	839,772
	12,909,660	11,804,730
Changes in working capital:		
Inventories	(560,815)	(408,393)
Breeder stocks	(449,500)	(23,190)
Trade and other receivables	(2,530,411)	(3,856,610)
Trade and other payables	1,529,907	2,231,450
Cash generated from operations	10,898,841	9,747,987
Income taxes paid	(1,079,687)	(1,097,704)
Cash flows generated from operating activities	9,819,154	8,650,283
Investing activities		
Purchase of:		
– property, plant and equipment	(4,141,803)	(2,399,375)
– biological assets	(6,678,018)	(6,491,591)
– intangible assets	(84,401)	(42,105)
Proceeds from disposal of:		
– property, plant and equipment	95,186	134,401
– quoted equity investment	–	2,573
Interest received	21,140	7,415
Investment in an associate	–	(812,600)
Cash flows used in investing activities	(10,787,896)	(9,601,282)

Consolidated Cash Flow Statement (Cont'd)

Year ended 31 December 2008

	Note	2008 $	2007 $
Financing activities			
Interest paid		(886,799)	(838,820)
Drawdown of:			
– bank term loans		3,736,000	2,342,500
– loans from minority shareholder of a subsidiary		–	32,625
Repayment of:			
– bank term loans		(241,537)	(655,866)
– loans from minority shareholder of a subsidiary		(261,710)	(307,208)
Payment of finance lease liabilities		(255,469)	(221,567)
Dividends paid to equity holders		–	(634,054)
Proceeds from issuance of new shares (net of issue expense)		115,954	1,203,282
Cash flows generated from financing activities		2,206,439	920,892
Net increase (decrease) in cash and cash equivalents		1,237,697	(30,107)
Cash and cash equivalents at beginning of year		5,449,943	5,467,328
Effect of exchange rate fluctuations on cash held		16,393	12,722
Cash and cash equivalents at end of year	10	6,704,033	5,449,943

This accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 12 January 2009.

1 Domicile and activities

Qian Hu Corporation Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at No. 71 Jalan Lekar, Singapore 698950.

The principal activities of the Company are those relating to import, export, farming, breeding and distribution of ornamental fishes and aquarium and pet accessories. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interest in an associate.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for the following:-

- Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments, excluding available-for-sale financial assets, are measured at amortised cost.

- Available-for-sale financial assets are measured at fair value.

- Biological assets are measured at fair value less estimated point-of-sale costs.

The financial statements are presented in Singapore dollars which is the Company's functional currency. The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is as follows:

2.1 Basis of preparation (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Impairment of goodwill

  The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

- Depreciation of property, plant and equipment and biological assets

  These assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

- Income taxes

  The Group has exposure to income taxes in many jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Critical judgements made in applying accounting policies

Judgement made by management in the application of FRS that has a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the next financial year is discussed below:

- Impairment of investments and financial assets

  The Group and the Company follow the guidance of FRS 36 *Impairment of Assets* and FRS 39 *Financial Instruments: Recognition and Measurement* in determining when an investment or financial asset is impaired and this requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

2.2 Consolidation

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.2 Consolidation (Cont'd)

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income, expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries and associate by the Company

Investments in subsidiaries and the associate are stated in the Company's balance sheet at cost less accumulated impairment losses.

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below) and available-for-sale equity instruments.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2006, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

2.3 Foreign currencies (Cont'd)

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Freehold land and assets under construction are not depreciated. Depreciation on other property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

The estimated useful lives 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
Machinery and equipment	5 – 10 years
Ponds and concrete tanks	3 – 10 years
Electrical and installation	10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

2.5 Biological assets

The Group is engaged in the breeding of Dragon Fish for commercial sale and accounts for its brooder and breeder stocks as follows:

Brooder stocks

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

Breeder stocks

Breeder stocks are the offsprings of brooder stocks, held for trading purposes. The holding period of these breeder stocks is usually 2 to 3 months before they are put up for sales. As at the balance sheet date, these stocks are measured based on their fair value less estimated point-of-sale costs. The fair value is determined based on the age, breed and genetic merit of similar fish that can be purchased from suppliers. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

2.6 Inventories

Inventories comprise raw materials, work-in-progress and manufactured goods, and ornamental fishes acquired from suppliers.

Inventories are stated the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present condition and location. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs to make the sale.

2.7 Intangible assets

Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries and associates.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associate is presented together with investments in associates.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 2.10. Negative goodwill representing excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Other intangible assets

(a) *Trademarks/customer acquisition costs*

Trademarks/customer acquisition costs are estimated to have indefinite lives because based on the current market share of the trademarks, management believes there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flows for the Group.

Such intangible assets are tested for impairment annually as described in note 2.10.

2.7 Intangible assets (Cont'd)

(b) Product listing fees

Product listing fees with finite lives are stated at cost less accumulated amortisation and impairment losses.

These costs are amortised on a straight-line basis over 3 years.

The amortisation period and method are reviewed at least at each financial year end.

2.8 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Available-for-sale financial assets

The Group's investments in certain equity securities are classified as available-for-sale financial assets if they are not classified in any of the other categories.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see note 2.3), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

2.8 Financial instruments (Cont'd)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

Impairment losses in respect of financial assets measured at amortised cost and available-for-sale debt securities are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses once recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in fair value of such assets is recognised directly in equity.

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the income statement.

Intra-group financial guarantees are eliminated on consolidation.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2.9 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2.10 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Equity compensation benefit

The Company has an employees' share option scheme where employees (including associates of the Company's controlling shareholders) are granted non-transferable options to purchase shares of the Company. The share options are granted before 22 November 2002. The recognition and measurement principles in FRS 102 *Share-based Payment* have not been applied to these grants in accordance with the transitional provisions in FRS 102.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.13 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

2.14 Finance income and expenses

Finance income comprises interest income on bank deposits and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the income statement in the year in which they are incurred using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.15 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Property, plant and equipment

	Freehold land/ buildings $	Leasehold land/ buildings $	Leasehold improvements $	Motor vehicles $	Computers $
Group					
Cost					
At 1 January 2007	5,664,808	4,492,886	336,155	2,102,156	933,009
Translation differences on consolidation	(12,993)	3,596	7,135	1,876	(70)
Additions	1,433,547	24,100	27,277	440,406	93,662
Reclassifications	12,194	–	–	(24,901)	–
Disposals/write offs/transfers	–	–	–	(372,787)	(18,729)
At 31 December 2007	7,097,556	4,520,582	370,567	2,146,750	1,007,872
Translation differences on consolidation	(275,414)	(5,194)	(11,124)	(28,787)	(6,846)
Additions	297,183	1,484,739	131,502	390,071	85,978
Reclassifications	(1,593)	–	–	–	–
Disposals/write offs/transfers	–	–	–	(298,500)	(108,667)
At 31 December 2008	7,117,732	6,000,127	490,945	2,209,534	978,337
Accumulated depreciation and impairment losses					
At 1 January 2007	591,220	2,191,186	177,048	1,500,673	736,744
Translation differences on consolidation	(1,356)	2,840	3,758	43	37
Depreciation charge for the year	168,653	337,512	48,823	259,517	101,438
Disposals/write offs/transfers	–	–	–	(342,309)	(14,549)
At 31 December 2007	758,517	2,531,538	229,629	1,417,924	823,670
Translation differences on consolidation	(29,601)	(4,652)	(6,890)	(17,526)	(4,748)
Depreciation charge for the year	186,129	404,187	70,867	263,823	103,077
Disposals/write offs/transfers	–	–	–	(275,376)	(108,667)
At 31 December 2008	915,045	2,931,073	293,606	1,388,845	813,332
Carrying amount					
At 1 January 2007	5,073,588	2,301,700	159,107	601,483	196,265
At 31 December 2007	6,339,039	1,989,044	140,938	728,826	184,202
At 31 December 2008	6,202,687	3,069,054	197,339	820,689	165,005

Furniture, fittings and office equipment $	Equipment and tools $	Machinery and equipment $	Ponds and concrete tanks $	Electrical and installation $	Assets under construction $	Total $
1,194,944	1,265,542	4,374,591	175,640	1,313,874	–	21,853,605
4,091	(2,338)	3,220	–	(1,293)	–	3,224
97,658	51,684	313,795	–	72,484	271,521	2,826,134
(26,631)	28,024	11,314	–	–	–	–
(7,002)	(14,363)	(271,652)	–	–	–	(684,533)
1,263,060	1,328,549	4,431,268	175,640	1,385,065	271,521	23,998,430
(21,459)	(32,022)	59,692	–	(16,019)	(10,611)	(347,784)
108,210	49,074	346,763	–	181,693	1,361,957	4,437,170
18,257	2,717	–	–	–	(19,381)	–
(80,481)	(21,903)	(213,248)	–	–	–	(722,799)
1,287,587	1,326,415	4,624,475	175,640	1,550,739	1,603,486	27,365,017
547,882	391,652	3,270,934	175,640	780,287	–	10,363,266
2,253	(692)	2,466	–	(715)	–	8,634
145,603	172,560	423,434	–	174,153	–	1,831,693
(5,165)	(13,465)	(268,267)	–	–	–	(643,755)
690,573	550,055	3,428,567	175,640	953,725	–	11,559,838
(20,830)	(13,671)	45,826	–	1,931	–	(50,161)
175,667	163,646	375,651	–	153,733	–	1,896,780
(77,222)	(19,233)	(200,320)	–	–	–	(680,818)
768,188	680,797	3,649,724	175,640	1,109,389	–	12,725,639
647,062	873,890	1,103,657	–	533,587	–	11,490,339
572,487	778,494	1,002,701	–	431,340	271,521	12,438,592
519,399	645,618	974,751	–	441,350	1,603,486	14,639,378

3 Property, plant and equipment (Cont'd)

	Leasehold land/buildings $	Motor vehicles $	Computers $	Furniture, fittings and office equipment $	Machinery and equipment $	Electrical and installation $	Assets under construction $	Total $
Company								
Cost								
At 1 January 2007	4,323,498	859,426	624,818	349,145	674,729	302,153	–	7,133,769
Additions	24,100	138,111	65,933	41,038	133,721	3,300	–	406,203
Disposals	–	(188,818)	(4,940)	(630)	–	–	–	(194,388)
At 31 December 2007	4,347,598	808,719	685,811	389,553	808,450	305,453	–	7,345,584
Additions	1,339,048	179,119	47,548	28,818	238,234	18,140	828,552	2,679,459
Disposals/write-offs	–	(153,281)	(108,667)	(73,278)	(120,233)	–	–	(455,459)
At 31 December 2008	5,686,646	834,557	624,692	345,093	926,451	323,593	828,552	9,569,584
Accumulated depreciation and impairment losses								
At 1 January 2007	2,057,414	736,044	538,019	237,706	512,331	242,533	–	4,324,047
Depreciation charge for the year	319,256	66,198	59,316	34,238	55,429	19,013	–	553,450
Disposals	–	(185,048)	(760)	–	–	–	–	(185,808)
At 31 December 2007	2,376,670	617,194	596,575	271,944	567,760	261,546	–	4,691,689
Depreciation charge for the year	389,462	75,674	63,003	33,303	73,307	17,959	–	652,708
Disposals/write-offs	–	(153,281)	(108,667)	(73,278)	(119,951)	–	–	(455,177)
At 31 December 2008	2,766,132	539,587	550,911	231,969	521,116	279,505	–	4,889,220
Carrying amount								
At 1 January 2007	2,266,084	123,382	86,799	111,439	162,398	59,620	–	2,809,722
At 31 December 2007	1,970,928	191,525	89,236	117,609	240,690	43,907	–	2,653,895
At 31 December 2008	2,920,514	294,970	73,781	113,124	405,335	44,088	828,552	4,680,364

3 Property, plant and equipment (Cont'd)

The carrying amounts of property, plant and equipment of the Group and the Company include amounts totalling $648,971 (2007: $393,057) and $281,914 (2007: $175,072) respectively, in respect of machinery and motor vehicles acquired under finance lease arrangements.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $4,437,170 (2007: $2,826,134), of which $295,367 (2007: $426,760) were acquired under finance leases. Cash payments of $4,141,803 (2007: $2,399,375) were made to purchase property, plant and equipment.

The Group's freehold land with a carrying amount of $388,443 (2007: $369,445) is subject to a first charge to secure banking facilities for a subsidiary.

Freehold land of a subsidiary with a net book value of $529,121 (2007: $515,727) are held by a director of the subsidiary in trust for the subsidiary.

Details of properties held by the Group and the Company as at 31 December are as follows:

	Description and existing use	**Tenure/ unexpired term**	**Land area (sqm)**	**Net carrying amount 2008 $**	**2007 $**
Location					
Held by the Company					
– Leasehold buildings					
Nos. 69 & 71 Jalan Lekar, Singapore	Fish farming purposes	20 years from 11 November 1993	41,776	1,969,120	1,970,928
– Leasehold land					
ST 78 Jalan Lekar, Singapore	Fish farming purposes	20 years from 20 February 2008	19,343	951,394	–
Held through subsidiaries					
– Leasehold land and buildings					
Nos. 30/25 Moo 8 Tumbol Klong Nung, Amphur Klong Laung Pathun Thani Province 12120, Thailand	Fish farming purposes	1 August 2008 to 31 December 2010	1,600	133,418	2,528
Nos. 30/23 Moo 8 Tumbol Klong Nung, Amphur Klong Laung Pathun Thani Province 12120, Thailand	Fish farming purposes	1 August 2008 to 31 December 2010	1,600	15,120	15,588
Held through subsidiaries					
– Freehold land and buildings					
No 134/836, Siwalee-2 Village, Soi 41, Rangsit Nakornnayok Road, Prachatipat, Thanya Buri, Pathumtani Province 12130, Thailand	Residential	Freehold	444	196,935	216,500
			Balance carried forward	3,265,987	2,205,544

3 Property, plant and equipment (Cont’d)

Location	Description and existing use	Tenure/ unexpired term	Land area (sqm)	Net carrying amount 2008 $	Net carrying amount 2007 $
			Balance brought forward	3,265,987	2,205,544
Lot No 722 GM No 714 Mukim of Minyak Beku, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	11,761		
Lot No 1140 MLO No 775 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	24,281		
Lot No 1646, 1647, 4138, 4139, 4141, 4937 & 4938 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	153,729	5,047,203	5,123,916
Lot No 4137 GM No 3164 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	43,478		
Lot No 4153 GM No 2096 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	13,759		
Lot 5092 GRN 50300 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	118,875	958,551	998,623
				9,271,741	8,328,083

4 Biological assets

	Brooder stocks			
	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Cost				
At 1 January	22,557,297	16,099,284	1,459,500	1,459,500
Translation differences at consolidation	(824,434)	(33,578)	–	–
Additions	6,678,018	6,491,591	–	–
At 31 December	28,410,881	22,557,297	1,459,500	1,459,500
Accumulated depreciation and impairment loss				
At 1 January	1,192,135	819,373	233,520	204,330
Translation differences at consolidation	(37,386)	(1,411)	–	–
Depreciation charge for the year	510,239	374,173	29,190	29,190
At 31 December	1,664,988	1,192,135	262,710	233,520
Carrying amount				
At 31 December	26,745,893	21,365,162	1,196,790	1,225,980
Estimated quantity at year end	11,061	8,921	350	350

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

	Breeder stocks			
	Group		Company	
	2008 $	2007 $	2008 $	2007 $
At 1 January	1,420,870	1,721,800	245,800	245,800
Change in fair value less estimated point-of-sale costs	(275,200)	(324,120)	(28,500)	15,200
Decreases due to sales	(1,531,310)	(1,878,660)	(328,370)	(671,560)
Net increase due to births	1,980,810	1,901,850	555,760	656,360
At 31 December	1,595,170	1,420,870	444,690	245,800
Estimated quantity at year end	4,291	3,487	719	364

During the financial year, the brooder stocks of the Group and the Company bred approximately 5,542 and 993 (2007: 4,583 and 1,032) of Dragon Fish, respectively.

4 Biological assets (Cont'd)

The Group is exposed to a number of risks related to its brooder stocks and breeder stocks:

Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of breeder stocks. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to manage the breeding program.

Climate and other risks

The Group's brooder stocks and breeder stocks are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections and industry disease surveys.

5 Intangible assets

	Trademarks/ customer acquisition costs $	Product listing fees $	Goodwill on consolidation $	Total $
Group				
Cost				
At 1 January 2007	700,996	196,153	1,965,620	2,862,769
Translation differences on consolidation	(42)	–	–	(42)
Additions through acquisitions	42,105	–	–	42,105
At 31 December 2007	743,059	196,153	1,965,620	2,904,832
Translation differences on consolidation	(686)	–	–	(686)
Additions through acquisitions	84,401	–	–	84,401
At 31 December 2008	826,774	196,153	1,965,620	2,988,547
Accumulated amortisation and impairment loss				
At 1 January 2007	596,053	126,707	–	722,760
Translation differences on consolidation	(42)	–	–	(42)
Amortisation charge for the year	–	42,678	–	42,678
At 31 December 2007	596,011	169,385	–	765,396
Translation differences on consolidation	(686)	–	–	(686)
Amortisation charge for the year	–	18,445	–	18,445
At 31 December 2008	595,325	187,830	–	783,155
Carrying amount				
At 1 January 2007	104,943	69,446	1,965,620	2,140,009
At 31 December 2007	147,048	26,768	1,965,620	2,139,436
At 31 December 2008	231,449	8,323	1,965,620	2,205,392

5 Intangible assets (Cont'd)

	Trademarks/ customer acquisition costs $	Product listing fees $	Total $
Company			
Cost			
At 1 January 2007	683,392	196,153	879,545
Additions	42,105	–	42,105
At 31 December 2007	725,497	196,153	921,650
Additions	84,401	–	84,401
At 31 December 2008	809,898	196,153	1,006,051
Accumulated amortisation			
At 1 January 2007	578,449	126,707	705,156
Amortisation charge for the year	–	42,678	42,678
At 31 December 2007	578,449	169,385	747,834
Amortisation charge for the year	–	18,445	18,445
At 31 December 2008	578,449	187,830	766,279
Carrying amount			
At 1 January 2007	104,943	69,446	174,389
At 31 December 2007	147,048	26,768	173,816
At 31 December 2008	231,449	8,323	239,772

The amortisation is recognised in selling and distribution expenses in the income statement.

Impairment tests for cash-generating units containing goodwill and trademarks/customer acquisition costs

Goodwill on consolidation arose from the acquisition of Kim Kang Aquaculture Sdn Bhd in financial year 2003, whose principal business activities are those relating to the breeding and trading of ornamental fish.

Trademarks/customers acquisition costs are costs paid for the acquisition of two brands of pet food.

The recoverable amounts of the above balances are determined based on value in use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flow projections beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business activities.

Key assumptions used for impairment testing

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks/customer acquisition costs according to the respective business segments.

	Fish %	Pet food %
Growth rate	6.0	20.0
Discount rate	5.5	5.5

Management determines the weighted average growth rates based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business activities.

6 Subsidiaries

	Company 2008 $	Company 2007 $
Unquoted equity investments, at cost	11,991,086	11,152,586

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and business	Effective equity held by the Group 2008 %	Effective equity held by the Group 2007 %	Cost of investment by the Company 2008 $	Cost of investment by the Company 2007 $
* Qian Hu Tat Leng Plastic Pte Ltd	Manufacture of plastic bags	Singapore	100	100	57,050	57,050
^ Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary:	Trading and distribution of ornamental fish and aquarium and pet accessories	Malaysia	100	100	150,451	150,451
^ Qian Hu The Pet Family (M) Sdn. Bhd	Trading of ornamental fish and aquarium accessories	Malaysia	100	100	–	–
# Kim Kang Aquaculture Sdn. Bhd. and its subsidiary:	Breeding, and trading of ornamental fish	Malaysia	65	65	8,538,391	7,699,891
# Kim Kang Frozen Food Sdn. Bhd	Trading of frozen food	Malaysia	–	65	–	–
^ Beijing Qian Hu Aquarium and Pets 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 Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd	Manufacture of aquarium and pet accessories	People's Republic of China	100	100	1,686,039	1,686,039
^ Shanghai Qian Hu Aquarium and Pets Co., Ltd	Trading and distribution of ornamental fish and aquarium accessories	People's Republic of China	100	100	1,086,516	1,086,516
^ Qian Hu Marketing Co Ltd	Distribution of aquarium and pet accessories	Thailand	74♦	74♦	148,262	148,262
^ Thai Qian Hu Company Limited	Trading of ornamental fish	Thailand	60	60	121,554	121,554
^ NNTL (Thailand) Limited	Investment holding	Thailand	49@	49@	30,999	30,999
					11,991,086	11,152,586

KPMG Singapore is the auditor of the Singapore-incorporated subsidiary. Other member firm of KPMG International is auditors of significant foreign-incorporated subsidiary. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

* Audited by KPMG Singapore.

\# Audited by KPMG Malaysia, a member firm of KPMG International.

^ 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.

7 Associate

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Investment in associate, at cost	812,600	812,600	812,600	812,600
Share of post-acquisition (losses) profits	(24,806)	23,867	–	–
	787,794	836,467	812,600	812,600

Investment in associate at 31 December 2008 includes goodwill of $134,289 (2007: $134,289).

Details of associate are as follows:

Name of associate	Principal activities	Country of incorporation	Effective equity held by the Group	
			2008	2007
			%	%
^ Arcadia Products PLC	Manufacture and distribution of aquarium lamps	United Kingdom	20	20

^ The associate is audited by other certified public accountants. This associate is not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

In July 2007, the Company acquired a 20% equity interest in Arcadia Products PLC ("Arcadia"), an aquarium lamp manufacturer based in the United Kingdom, for an initial consideration of £264,000 (approximately S$812,600). In addition, it was agreed that if Arcadia achieves a net profit after tax ("PAT") of not less than £400,000 (the "Required PAT") in respect of Arcadia's financial year ending 30 June 2008 ("FY 2008"), a further consideration for the acquisition amounting to 20% of six times the amount of Arcadia's PAT less the amount of initial consideration already paid by the Company ("further consideration") will be paid. As Arcadia did not achieve the Required PAT for FY 2008, the further consideration, calculated on the same abovementioned basis for the financial year ending 30 June 2009 ("FY 2009"), will be payable upon Arcadia achieving the Required PAT in FY 2009.

The cost of acquisition of the associate is determined on a provisional basis and does not include the potential further consideration as the amount cannot be measured reliably. Adjustments to the cost of acquisition is contingent on profit being maintained or achieved in future periods, as explained above.

The summarised financial information relating to the associate is not adjusted for the percentage of ownership held by the Group.

The financial information of the associate are as follows:

	2008	2007
	$	$
Assets and liabilities		
Total assets	6,974,219	8,646,615
Total liabilities	4,550,613	5,353,867

	Year ended 31 December 2008	Six months ended 31 December 2007
	$	$
Results		
Revenue	9,316,621	5,992,949
Expenses	4,535,280	2,589,776
(Loss) Profit after taxation	(243,365)	119,333

8 Inventories

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Fish	6,690,278	7,790,580	3,196,189	2,969,900
Accessories	15,032,171	13,221,028	4,315,851	3,745,216
Raw materials – plastic products	243,516	500,293	–	–
Finished goods – plastic products	419,808	496,702	–	–
	22,385,773	22,008,603	7,512,040	6,715,116

9 Trade and other receivables

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Trade receivables	22,958,865	19,676,399	9,018,920	8,609,654
Allowance for doubtful trade receivables	(2,246,703)	(2,069,699)	(1,900,481)	(1,769,160)
Net receivables	20,712,162	17,606,700	7,118,439	6,840,494
Deposits	313,762	362,833	56,398	48,547
Deposit for purchase of property, plant and equipment	470,832	278,940	470,832	278,940
Prepayments	453,125	509,321	124,319	49,489
Advances to suppliers	451,347	45,317	365,615	–
Tax recoverable	592,929	276,897	–	–
Other receivables	322,899	362,165	86,074	201,650
Amounts due from:				
– subsidiaries (trade)	–	–	18,842,672	16,689,951
– subsidiaries (non-trade)	–	–	2,624,119	2,855,941
– associate (trade)	508,334	1,655,630	508,334	1,655,630
	23,825,390	21,097,803	30,196,802	28,620,642

Outstanding balances with subsidiaries are unsecured, interest-free and are repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

Receivables denominated in currencies other than the Company's functional currency comprise:

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
US dollar	2,467,411	2,197,242	729,454	1,606,038
Euro	1,375,441	2,006,526	418,770	1,940,877
Ringgit Malaysia	1,906,237	2,052,842	–	–
Thai Baht	646,889	814,350	–	–
Chinese Renminbi	5,879,771	6,561,080	–	–

9 Trade and other receivables (Cont'd)

Impairment losses

The ageing of trade receivables at the reporting date is:

	Gross receivables 2008 $	Impairment loss 2008 $	Gross receivables 2007 $	Impairment loss 2007 $
Group				
Not past due	7,068,532	–	6,828,429	–
Past due 0 –30 days	4,342,001	–	3,869,521	–
Past due 31 – 60 days	2,859,482	–	2,240,802	–
Past due 61 – 90 days	2,743,604	–	1,787,551	–
Past due more than 90 days	5,945,246	2,246,703	4,950,096	2,069,699
	22,958,865	2,246,703	19,676,399	2,069,699
Company				
Not past due	3,328,954	–	3,185,580	–
Past due 0 –30 days	1,367,250	–	1,343,655	–
Past due 31 – 60 days	579,204	–	819,812	–
Past due 61 – 90 days	472,093	–	362,327	–
Past due more than 90 days	3,271,419	1,900,481	2,898,280	1,769,160
	9,018,920	1,900,481	8,609,654	1,769,160

The change in impairment loss in respect of trade receivables during the financial year is as follows:

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
At 1 January	2,069,699	1,522,502	1,769,160	1,231,265
Impairment loss recognised	194,926	592,965	145,037	583,414
Amount written off against allowance made	(13,716)	(45,519)	(13,716)	(45,519)
Translation differences on consolidation	(4,206)	(249)	–	–
At 31 December	2,246,703	2,069,699	1,900,481	1,769,160

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, engage in a wide spectrum of manufacturing and distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

10 Cash and cash equivalents

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Fixed deposits with a financial institution		24,560	23,706	24,560	23,706
Cash and bank balances		8,302,611	7,492,720	5,469,044	4,744,282
		8,327,171	7,516,426	5,493,604	4,767,988
Bank overdrafts (unsecured)	13	(1,623,138)	(2,066,483)		
Cash and cash equivalents in the cash flow statement		6,704,033	5,449,943		

Fixed deposits bear average effective interest rate of 1.14% (2007: 1.80%) per annum. The fixed deposits are pledged to a financial institution to secure performance guarantees issued by that financial institution.

Cash and bank balances earn interests at floating rates based on daily bank deposit rates from 0% to 0.375% (2007: 0.25% to 2.875%) per annum.

The average effective interest rate of bank overdraft of the Group is 7.75% (2007: 8.00%) per annum. The bank overdraft is repayable on demand.

Cash and cash equivalents denominated in foreign currencies other than the Company's functional currency comprise:

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
US dollar	254,530	1,269,392	220,906	1,261,461
Euro	3,142	11,858	3,142	11,858
Ringgit Malaysia	716,954	354,351	–	–
Thai Baht	1,142,454	1,148,560	–	–
Chinese Renminbi	389,039	741,341	–	–

11 Share capital

	Note	Group and Company 2008 No. of shares	2007 No. of shares	2008 $	2007 $
Fully paid ordinary shares, with no par value:					
At 1 January		411,911,279	128,872,934	29,295,961	18,997,444
Issue of new shares					
– Exercise of employees' share options	16	–	1,059,000	–	624,810
– Rights cum warrants issue		–	259,863,868	–	8,899,665
– Exercise of warrants		3,312,990	22,115,477	115,954	774,042
At 31 December		415,224,269	411,911,279	29,411,915	29,295,961

During the financial year, the Company issued 3,312,990 (2007: 22,115,477) shares at $0.035 (2007: $0.035) each fully paid for cash upon the exercise of warrants.

In 2007, the Company issued the following shares:

- 1,059,000 shares at $0.59 each fully paid for cash on the exercise of options granted under the share option scheme described in note 16.
- 259,863,868 rights shares, with 64,965,868 free detachable warrants, at $0.035 each fully paid from the reinvestment of a special interim dividend (note 23) by equity holders. The gross proceeds of $9,095,235 less issue expense of $195,570, was credited to share capital.

11 Share capital (Cont'd)

Each warrant carries the right to subscribe for one new share in the Company at an exercise price of $0.035 for each new share.

As at the end of the financial year, there were 39,537,401 (2007: 42,850,391) warrants outstanding, of which no further warrants (2007: 1,289,740 warrants) were exercised for issuance of new shares as of 12 January 2009.

Details on the employee share option scheme are provided in note 16.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary equity holders. The Group funds its operations and growth through a mix of equity and debts. This include the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Net debt	24,798,242	21,959,799	13,598,994	10,841,189
Total equity	62,734,174	55,632,796	42,839,851	40,154,971
Total capital	87,532,416	77,592,595	56,438,845	50,996,160
Gearing ratio	0.28	0.28	0.24	0.21

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2007 and 2008. There were no changes in the Group's approach to capital management during the financial year.

12 Reserves

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Accumulated profits	25,338,447	19,295,700	13,427,936	10,859,010
Currency translation reserve	(1,159,199)	(594,050)	–	–
	24,179,248	18,701,650	13,427,936	10,859,010

The currency translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company and the translation of monetary items which form part of the Group's net investment in the foreign operations, provided certain conditions are met.

13 Financial liabilities

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Non-current liabilities					
Ringgit Malaysia ("RM") long-term loans – non current portion					
– secured		75,853	111,276	–	–
– unsecured		1,982,606	1,434,290	–	–
Finance lease liabilities		351,917	331,987	108,041	73,537
		2,410,376	1,877,553	108,041	73,537
Current liabilities					
Bank overdrafts (unsecured)	10	1,623,138	2,066,483	–	–
Singapore dollar short-term loans (unsecured)		10,000,000	7,100,000	10,000,000	7,100,000
Ringgit Malaysia long-term loans – current portion:					
– secured		31,113	29,826	–	–
– unsecured		237,102	227,267	–	–
Bills payable to banks (unsecured)		4,156,350	5,002,650	638,044	1,341,255
Finance lease liabilities		172,640	164,849	72,703	59,732
		16,220,343	14,591,075	10,710,747	8,500,987
Total borrowings		18,630,719	16,468,628	10,818,788	8,574,524

The unsecured short-term loans are revolving bank loans which bear interest at rates from 2.31% to 3.58% (2007: 3.81% to 4.19%) per annum.

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

- a 7-year bank loan of RM0.5 million, secured by a mortgage on a subsidiary's freehold land, bears interest at 7.75% (2007: 8.00%) per annum and is repayable in 84 monthly instalments commencing January 2005;
- a 5-year unsecured bank loan of RM1.85 million, bears interest at 8.00% (2007: 8.25%) per annum and is repayable in 60 monthly instalments commencing August 2006;
- a 10-year unsecured bank loan of RM2.5 million, bears interest at 8.00% (2007: 8.25%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- a 5-year unsecured bank loan of RM3.0 million, of which RM2.0 million was drawndown as at 31 December 2008, bears interest at 7.50% (2007: Nil) per annum and is repayable in 60 monthly instalments commencing upon the full drawdown of the loan.

The weighted average effective interest rates per annum relating to the bills payable to banks, at the balance sheet date for the Group and the Company are 4.93% (2007: 4.93%) and 5.25% (2007: 5.25%) respectively. These bills mature within 1 to 3 months from the year end.

Bills payable to banks denominated in foreign currencies other than the Company's functional currency comprise:

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
US dollar	29,484	400,164	29,484	400,164
Ringgit Malaysia	3,518,306	3,661,395	–	–
Australian dollar	93,740	132,889	93,740	132,889
Japanese Yen	232,352	66,866	232,352	66,866

13 Financial liabilities (Cont'd)

Finance lease liabilities

At 31 December, the Group and the Company had obligations under finance leases that are payable as follows:

	2008			2007		
	Principal $	Interest $	Payments $	Principal $	Interest $	Payments $
Group						
Repayable within 1 year	172,640	31,191	203,831	164,849	19,682	184,531
Repayable after 1 year but within 5 years	351,917	78,907	430,824	331,987	23,508	355,495
	524,557	110,098	634,655	496,836	43,190	540,026
Company						
Repayable within 1 year	72,703	9,005	81,708	59,732	8,197	67,929
Repayable after 1 year but within 5 years	108,041	16,090	124,131	73,537	8,463	82,000
	180,744	25,095	205,839	133,269	16,660	149,929

Lease terms range from 1 to 5 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 in the Group's and the Company's finance lease obligations are 5.76% (2007: 6.85%) and 6.53% (2007: 6.68%) respectively.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including estimated interest payments:

	Carrying amount	Cash flows			
	$	Contractual cash flows $	Within 1 year $	Within 1 to 5 years $	More than 5 years $
Group					
2008					
Bank overdrafts	1,623,138	1,623,138	1,623,138	–	–
Bills payable to banks	4,156,350	4,207,577	4,207,577	–	–
S$ floating rate loans	10,000,000	10,147,500	10,147,500	–	–
RM floating rate loans	2,326,674	3,019,559	468,412	1,903,593	647,554
Finance lease liabilities	524,557	634,655	203,831	430,824	–
Trade and other payables*	12,025,755	12,025,755	12,025,755	–	–
		31,658,184	28,676,213	2,334,417	647,554

* Excludes accrued expenses

13 Financial liabilities (Cont'd)

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
	$	$	$	$	$
Group					
2007					
Bank overdrafts	2,066,483	2,066,483	2,066,483	–	–
Bills payable to banks	5,002,650	5,068,310	5,068,310	–	–
S$ floating rate loans	7,100,000	7,171,000	7,171,000	–	–
RM floating rate loans	1,802,659	2,218,324	512,265	1,193,122	512,937
Finance lease liabilities	496,836	540,026	184,531	355,495	–
Trade and other payables*	10,447,610	10,447,610	10,447,610	–	–
		27,511,753	25,450,199	1,548,617	512,937
Company					
2008					
S$ floating rate loans	10,000,000	10,147,500	10,147,500	–	–
Finance lease liabilities	180,744	205,839	81,708	124,131	–
Bills payable to banks	638,044	646,418	646,418	–	–
Trade and other payables*	6,500,308	6,500,308	6,500,308	–	–
		17,500,065	17,375,934	124,131	–
2007					
S$ floating rate loans	7,100,000	7,100,000	7,100,000	–	–
Finance lease liabilities	133,269	149,929	67,929	82,000	–
Bills payable to banks	1,341,255	1,341,255	1,341,255	–	–
Trade and other payables*	5,144,873	5,144,873	5,144,873	–	–
		13,736,057	13,654,057	82,000	–

* Excludes accrued expenses

14 Deferred tax liabilities

Deferred tax assets and liabilities of the Group and Company (prior to offsetting of balances) are attributable to the following:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Deferred tax liabilities				
Property, plant and equipment and biological assets	3,595,992	2,941,041	100,000	135,000
Deferred tax assets				
Provisions	(1,796)	(1,796)	–	–

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the balance sheets as follows:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Deferred tax liabilities	3,594,196	2,939,245	100,000	135,000

14 Deferred tax liabilities (Cont'd)

Movement in deferred tax liabilities

	Note	Group $	Company $
At 1 January 2007		2,453,720	235,000
Recognised in income statement	20	512,915	(100,000)
Translation differences on consolidation		(27,390)	–
At 31 December 2007		2,939,245	135,000
Recognised in income statement	20	793,058	(35,000)
Translation differences on consolidation		(138,107)	–
At 31 December 2008		3,594,196	100,000

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $2,493,778 (2007: $3,486,677) and $Nil (2007: $467,621) respectively that are available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate.

Deferred tax assets have not been recognised in respect of tax losses for certain subsidiaries because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

15 Trade and other payables

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Trade payables	9,189,826	7,356,060	3,383,071	2,740,663
Accrued operating expenses	329,191	382,613	218,268	134,528
Other payables	2,545,918	2,222,194	2,218,623	1,873,368
Accrued staff costs	2,139,748	2,177,374	1,555,234	1,755,252
Advance received from customers	167,840	–	–	–
Amounts due to				
– subsidiaries				
(trade)	–	–	88,614	50,842
(non-trade)	–	–	810,000	480,000
– minority shareholder of a subsidiary (non-trade)	122,171	869,356	–	–
	14,494,694	13,007,597	8,273,810	7,034,653

Other payables are interest-free and have an average term of three months.

The non-trade amounts due to subsidiaries and minority shareholder of a subsidiary are unsecured, interest-free and repayable on demand.

15 Trade and other payables (Cont'd)

Payables denominated in currencies other than the Company's functional currency comprise:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
US dollar	313,003	1,002,031	135,603	605,367
Euro	415,574	183,211	415,574	183,211
Ringgit Malaysia	1,160,799	837,854	–	608
Japanese Yen	255,357	93,633	255,357	93,633
Thai Baht	624,957	201,312	–	–
Chinese Renminbi	1,578,754	1,532,684	–	118,114
Australian dollar	86,623	129,444	86,623	129,444
Hong Kong dollar	33,071	95,552	33,071	95,552
New Taiwan dollar	29,295	86,699	13,970	81,330

16 Employees' share options

The Qian Hu Post-IPO Employees' Share Option Scheme (the "Post-IPO Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 9 October 2000. The Scheme is administered by the Post-IPO Option Committee (the 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 maximum discount of 20% to the market price immediately preceding the date of grant of the option or its nominal value, whichever is higher. Subject to this cap on the discount, the Committee will have the discretion and flexibility to decide the exact quantum of discount for each participant. The subscription price shall not be less than the nominal amount of the share.

Other information regarding the Scheme is 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**

  An option may be granted at any time at the absolute discretion of the Committee, provided that where price sensitive information is being announced, options may only be granted after the third market day from the date on which the announcement is released.

- **Acceptance of Option**

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

16 Employees' share options (Cont'd)

- **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.

On 1 August 2002, 1,620,000 options were granted to eligible employees of the Group, including associates of controlling shareholders of the Company to subscribe for ordinary shares of the Company at an exercise price of $0.59 per share, exercisable from 1 August 2004 to 31 July 2012.

At 31 December 2008, there were no outstanding options granted to the employees of the Company under the Post-IPO Scheme (2007: Nil).

17 Revenue

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Sale of goods				
– fish	45,707,845	45,336,100	25,786,904	26,301,936
– accessories	35,627,182	35,350,112	19,962,054	24,471,331
– plastics	11,727,338	11,033,975	–	–
	93,062,365	91,720,187	45,748,958	50,773,267

18 Net finance expenses

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Interest income				
– bank deposits	21,140	7,415	14,141	5,349
Interest expense				
– bank term loans	(609,058)	(563,907)	(304,661)	(305,911)
– bills payable to banks	(232,109)	(240,882)	(55,796)	(57,861)
– finance lease liabilities	(35,401)	(34,983)	(10,786)	(17,358)
	(876,568)	(839,772)	(371,243)	(381,130)
Net finance expenses	(855,428)	(832,357)	(357,102)	(375,781)

19 Profit before income tax

The following items have been included in arriving at profit before income tax:

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Allowance for (Write back of)				
– doubtful trade receivables	194,926	592,965	145,037	583,414
– inventory obsolescence	(21,560)	(2,900)	(21,560)	(2,900)
Amortisation of intangible assets	18,445	42,678	18,445	42,678
Bad trade receivables				
– written off	10,169	6,624	389	1,679
– recovered	(16,800)	–	–	–
Auditors' remuneration:				
– auditors of the Company	74,000	80,000	62,000	68,000
– other auditors	24,771	28,746	–	–
Non-audit fees:				
– other auditors	38,500	55,100	32,500	43,300
Depreciation of				
– property, plant and equipment	1,896,780	1,831,693	652,708	553,450
– biological assets	510,239	374,173	29,190	29,190
Exchange gain, net	(515,090)	(271,346)	(271,396)	(251,653)
Loss on disposal of quoted equity investment	–	1,032	–	–
Operating lease expense	954,552	732,031	147,154	127,317
Property, plant and equipment written off	10,851	2,075	–	–
Staff costs				
– salaries and bonus	10,594,330	10,348,562	6,214,241	6,107,073
– provident fund contributions	744,629	679,700	399,275	367,309
– staff welfare benefits	759,390	689,912	365,341	284,427
Directors' fees				
– directors of the Company	54,000	45,000	54,000	45,000
Change in fair value less estimated point-of-sale costs of breeder stocks	275,200	324,120	28,500	(15,200)
Other income:				
– gain on disposal of property, plant and equipment	(64,222)	(95,699)	(17,622)	(34,149)
– dividend income received from a subsidiary	–	–	(600,000)	(731,707)
– management fees received from a subsidiary	–	–	–	(48,000)
– sundry income	(96,934)	(114,117)	(13,396)	(60,437)

20 Income tax expense

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Current tax expense					
Current year		1,123,155	1,231,032	415,000	481,707
Over provision in respect of prior year		(125,801)	(141,308)	(100,000)	–
		997,354	1,089,724	315,000	481,707
Deferred tax expense					
Origination and reversal of temporary differences		828,058	734,803	–	(1,426)
Reduction in tax rate		–	(145,689)	–	(16,270)
Over provision in respect of prior year		(35,000)	(76,199)	(35,000)	(72,304)
	14	793,058	512,915	(35,000)	(100,000)
Total income tax expense		1,790,412	1,602,639	280,000	381,707

Reconciliation of effective tax rate

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Profit before income tax	9,191,531	7,919,479	2,848,926	2,927,911
Income tax using Singapore tax rate of 18% (2007: 18%)	1,654,476	1,425,506	512,807	527,024
Effect of reduction in tax rate	(115,865)	(145,689)	–	(16,270)
Expenses not deductible for tax purposes	368,213	238,198	21,865	180,829
Income not subject to tax	(578,469)	(54,900)	(135,450)	(27,450)
Tax savings arising from Development and Expansion incentive	–	(218,263)	–	(213,917)
Effect of different tax rates in other countries	615,936	520,165	–	–
Over provision in respect of prior year	(160,801)	(217,507)	(135,000)	(72,304)
Deferred tax assets not recognised	6,393	29,293	–	–
Others	529	25,836	15,778	3,795
Income tax expense	1,790,412	1,602,639	280,000	381,707

Pursuant to the income tax law applicable to foreign investment enterprises in the People's Republic of China ("PRC"), the subsidiary companies in the PRC are exempted from the 33% corporate income tax on their taxable income determined in accordance with the accounting principles and the relevant tax regulations in the PRC for a period of two years from the first profit making calendar year followed by a 50% reduction of corporate income tax for the succeeding three years.

21 Directors' remuneration

Company's directors receiving remuneration from the Group:

	Number of directors 2008	Number of directors 2007
Remuneration of:		
$500,000 and above	–	–
$250,000 to $499,999	4	3
Below $250,000	3	4
	7	7

21 Directors' remuneration (Cont'd)

Names of director	Salary* $	Bonus* $	Directors' fees $	Total $
2008				
Kenny Yap Kim Lee	247,836	70,000	–	317,836
Alvin Yap Ah Seng	211,836	70,000	–	281,836
Andy Yap Ah Siong	211,836	70,000	–	281,836
Lai Chin Yee	205,836	65,138	–	270,974
Robson Lee Teck Leng	–	–	18,000	18,000
Chang Weng Leong	–	–	18,000	18,000
Tan Tow Ee	–	–	18,000	18,000
Total	877,344	275,138	54,000	1,206,482
2007				
Kenny Yap Kim Lee	223,428	60,000	–	283,428
Alvin Yap Ah Seng	199,428	60,000	–	259,428
Andy Yap Ah Siong	199,428	60,000	–	259,428
Lai Chin Yee	190,428	56,638	–	247,066
Robson Lee Teck Leng	–	–	15,000	15,000
Chang Weng Leong	–	–	15,000	15,000
Tan Tow Ee	–	–	15,000	15,000
Total	812,712	236,638	45,000	1,094,350

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

22 Earnings per share

	2008	2007
Profit attributable to equity holders of the Company ($)	6,042,747	4,948,168
Ordinary shares at 1 January	411,911,279	128,872,934
Effect of shares issued on the exercise of share options	–	404,532
Effects of issue of rights shares and bonus element on exercise of warrants	–	235,556,479
Effect of shares issued on the exercise of warrants	2,672,044	3,233,041
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	414,583,323	368,066,986
Dilutive effect of warrants	28,899,211	34,290,612
Weighted average number of ordinary shares for calculation of diluted earnings per share	443,482,534	402,357,598
Basic earnings per share (cents)	1.46	1.34
Diluted earnings per share (cents)	1.36	1.23

The calculation of basic earnings per share at 31 December was based on profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding.

The calculation of diluted earnings per share at 31 December was based on profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

The average market value of the Company's shares for purposes of calculating the dilutive effect of warrants was based on quoted market prices for the period that the warrants were outstanding. The average fair value of one ordinary share during financial year 2008 was $0.13 (2007: $0.33) per share.

23 Dividends

	Group and Company	
	2008	2007
	$	$
First and final dividend paid of 0.6 cents per share less tax of 18% in respect of the year ended 31 December 2006	–	634,054
Special interim dividend paid of 8.54 cents per share less tax of 18% in respect of the year ended 31 December 2007	–	9,095,235
	–	9,729,289

The directors have proposed a final dividend of $0.002 (2007: $Nil) per ordinary share, tax exempt (one tier), totalling $830,449 (2007: $Nil) in respect of the financial year ended 31 December 2008. This proposed final tax exempt dividend has not been recognised as at year end and will be submitted to shareholders' approval at the forthcoming Annual General Meeting of the Company in 2009.

24 Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel compensation comprised:

	Group	
	2008	2007
	$	$
Short-term employee benefits		
– directors of the Company	1,206,482	1,094,350
– other key management personnel	1,213,047	1,204,693
	2,419,529	2,299,043

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties at terms agreed between the parties, are as follows:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Sales to subsidiaries	–	–	11,250,855	10,763,209
Sales to associate	2,446,679	4,229,263	888,879	4,229,263
Purchases from subsidiaries	–	–	4,316,901	9,757,387
Purchases from associate	107,597	93,605	107,597	93,605
Management fees received from a subsidiary	–	–	–	48,000
Fee paid to a firm of which a director is a partner	–	12,000	–	12,000
Consultancy fee paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

25 Segment information

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

25 Segment information (Cont'd)

Inter-segment pricing is determined on mutually agreed terms.

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 comprise mainly corporate assets and expenses, interest income, interest expenses and related assets and liabilities.

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

Business Segments

The Group comprises the following main business segments:

(i) Fish farming, breeding, distribution and trading of ornamental fish;

(ii) Accessories – manufacturing and distribution of aquarium and pet accessories; and

(iii) Plastics – manufacturing of plastic bags.

Geographical Segments

While the Group's business activities are managed on a worldwide basis, it operates in four principal geographical areas, namely South East Asia, North Asia, Europe and USA, and Singapore.

In presenting information on the basis of geographical segments, segments revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

Business Segments	**Fish $'000**	**Accessories $'000**	**Plastics $'000**	**Eliminations $'000**	**Consolidated $'000**
2008					
Revenue and expenses					
Total revenue from external customers	45,708	35,627	11,727	–	93,062
Inter-segment revenue	6,983	8,839	173	(15,995)	–
Total revenue	52,691	44,466	11,900	(15,995)	93,062
Results					
Segment results	9,239	2,484	718	56	12,497
Unallocated expenses					(2,402)
Results from operating activities					10,095
Finance expenses (net)					(855)
Share of losses of associate					(49)
Income tax expenses					(1,790)
Profit for the year					7,401
Assets and liabilities					
Segment assets	61,745	31,709	3,752	–	97,206
Investment in equity accounted associate					788
Amounts due from associate					508
Unallocated assets					2,010
Total assets					100,512
Segment liabilities	12,311	4,773	1,780	–	18,864
Unallocated liabilities					18,914
Total liabilities					37,778
Other segment information					
Capital expenditure	10,186	839	90	–	11,115
Depreciation and amortisation	1,502	761	162	–	2,425
Other non-cash expenses (income)	419	(37)	6	–	388

25 Segment information (Cont'd)

Business Segments	Fish $'000	Accessories $'000	Plastics $'000	Eliminations $'000	Consolidated $'000
2007					
Revenue and expenses					
Total revenue from external customers	45,336	35,350	11,034	–	91,720
Inter-segment revenue	8,448	13,214	151	(21,813)	–
Total revenue	53,784	48,564	11,185	(21,813)	91,720
Results					
Segment results	8,514	1,847	689	(734)	10,316
Unallocated expenses					(1,589)
Results from operating activities					8,727
Finance expenses (net)					(832)
Share of profit of associate					24
Income tax expenses					(1,602)
Profit for the year					6,317
Assets and liabilities					
Segment assets	53,436	26,888	3,977	–	84,301
Investment in equity accounted associate					836
Amounts due from associate					1,656
Unallocated assets					2,030
Total assets					88,823
Segment liabilities	11,734	4,597	1,684	–	18,015
Unallocated liabilities					15,175
Total liabilities					33,190
Other segment information					
Capital expenditure	8,583	614	121	–	9,318
Depreciation and amortisation	1,263	817	169	–	2,249
Other non-cash expenses (income)	579	238	(12)	–	805

Geographical Segments	Singapore $'000	Other Asian countries $'000	Europe $'000	Others $'000	Consolidated $'000
2008					
Total revenue from external customers	25,832	39,021	19,138	9,071	93,062
Segment assets	31,539	67,677	1,296	–	100,512
Capital expenditure	2,769	8,346	–	–	11,115
2007					
Total revenue from external customers	26,103	38,150	18,637	8,830	91,720
Segment assets	27,178	59,153	2,492	–	88,823
Capital expenditure	527	8,791	–	–	9,318

26 Financial risk management

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

26 Financial risk management (Cont'd)

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily the United States dollar, Euro, Malaysian Ringgit and Chinese Renminbi.

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

26 Financial risk management (Cont'd)

Sensitivity analysis

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would increase (decrease) profit before income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group $	Company $
31 December 2008		
US dollar	(237,945)	(78,527)
Euro	(96,301)	(634)
Ringgit Malaysia	438,259	–
Japanese Yen	48,771	48,771
Thai Baht	(116,439)	–
Chinese Renminbi	(469,006)	–
Australian dollar	18,036	18,036
Hong Kong dollar	3,307	3,307
New Taiwan dollar	2,930	1,397
31 December 2007		
US dollar	(206,444)	(186,197)
Euro	(183,517)	(176,952)
Ringgit Malaysia	389,472	61
Japanese Yen	16,050	16,050
Thai Baht	(176,160)	–
Chinese Renminbi	(576,974)	10,811
Australian dollar	26,233	26,233
Hong Kong dollar	9,555	9,555
New Taiwan dollar	8,670	8,133

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Business risk

The main risk arising from the Group's livestock is business risk. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good healthcare management and hygiene for its livestock. Currently, all its domestic and overseas fish operations have attained ISO 9002 certification.

Interest rate risk

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

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.

26 Financial risk management (Cont'd)

The following table sets out the carrying amounts as at 31 December, by maturity or repricing, whichever is earlier, of the financial instruments of the Group and the Company that are exposed to interest rate risk:

	Within 1 year $'000	1 to 5 years $'000	Total $'000
2008			
Group			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	4,156	–	4,156
Finance lease liabilities	173	352	525
Floating rate			
Bank overdrafts	1,623	–	1,623
Bank term loans	12,327	–	12,327
Company			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	638	–	638
Finance lease liabilities	73	108	181
Floating rate			
Bank term loans	10,000	–	10,000
2007			
Group			
Financial assets			
Fixed rate			
Fixed deposits	24	–	24
Financial liabilities			
Fixed rate			
Bills payable to banks	5,003	–	5,003
Finance lease liabilities	165	332	497
Floating rate			
Bank overdrafts	2,066	–	2,066
Bank term loans	8,903	–	8,903
Company			
Financial assets			
Fixed rate			
Fixed deposits	24	–	24
Financial liabilities			
Fixed rate			
Bills payable to banks	1,341	–	1,341
Finance lease liabilities	60	73	133
Floating rate			
Bank term loans	7,100	–	7,100

26 Financial risk management (Cont'd)

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore a change in interest rates at reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

For the variable rate financial assets and liabilities, a change of 100 bp in interest rate at the reporting date would increase (decrease) profit before income tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase $	**100 bp decrease $**
Group		
31 December 2008		
Floating rate instruments	(139,498)	139,498
31 December 2007		
Floating rate instruments	(109,691)	109,691
Company		
31 December 2008		
Floating rate instruments	(100,000)	100,000
31 December 2007		
Floating rate instruments	(71,000)	71,000

Fair values of financial instruments

Where possible, fair values have been estimated using market prices for the financial instruments. Where market prices are not available, values have been estimated using quoted prices for financial instruments with similar characteristics, or otherwise using a suitable valuation technique where it is practicable to do so. The fair value information presented represents the Group's and the Company's best estimate of those values, subject to certain assumptions and limitations.

Methodologies

The methodologies and assumptions used in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

Financial assets

The fair value of the Group's and the Company's quoted investments is determined by reference to their quoted bid price at the balance sheet date.

Interest-bearing bank loans

The carrying value of interest-bearing bank loans that reprice within six months of the balance sheet date is assumed to approximate their fair values. The carrying amounts of the term loans also approximate fair value as it is subject to floating interest rates which in turn approximate the current market interest rate for similar loan at balance sheet date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

26 Financial risk management (Cont'd)

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, bills payable to banks and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

The fair values of recognised financial liabilities, which are not carried at fair value in the balance sheets as at 31 December, are presented in the following table:

	2008		2007	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Group				
Financial liabilities				
Finance lease liabilities	524,557	524,557	496,836	496,836
Bank term loans	12,326,674	12,326,674	8,902,659	8,902,659
	12,851,231	12,851,231	9,399,495	9,399,495
Unrecognised gain		–		–
Company				
Financial liabilities				
Finance lease liabilities	180,744	180,744	133,269	133,269
Bank term loans	10,000,000	10,000,000	7,100,000	7,100,000
	10,180,744	10,180,744	7,233,269	7,233,269
Unrecognised gain		–		–

The above fair values have been estimated by discounting future contracted cash flows at the current market rate available.

Intra-group financial guarantees

The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries or related parties.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The intra-group financial guarantees are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to $10.5 millions (2007: $9.6 millions).

27 Commitments

During the financial year ended 31 December 2008, the Group and the Company entered into a contract to purchase property, plant and equipment for $203,988 (2007: $725,351) and $203,988 (2007: $725,351) respectively. These commitments are expected to be settled in the following financial year.

At 31 December 2008, the Group and the Company have operating lease commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Payable:				
– Within 1 year	262,680	262,680	83,556	83,556
– After 1 year but within 5 years	310,376	489,500	250,668	250,668
– After 5 years	76,593	160,149	76,593	160,149
	649,649	912,329	410,817	494,373

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

28 New accounting standards and interpretations not yet adopted

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 1 (revised 2008) *Presentation of Financial Statements*
- FRS 23 (revised 2007) *Borrowing Costs*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 39 *Financial Instrument: Recognition and Measurement – Eligible Hedged Items*
- Amendment to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendment to FRS 102 *Share-based Payment – Vesting Conditions and Cancellations*
- FRS 108 *Operating Segments*
- Improvements to FRSs 2008
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*

28 New accounting standards and interpretations not yet adopted (Cont'd)

FRS 1 (revised 2008) will become effective for the Group's financial statements for the year ending 31 December 2009. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. FRS 1 (revised 2008) does not have any impact on the Group's financial position or results.

Improvements to FRSs 2008 will become effective for the Group's financial statements for the year ending 31 December 2009, except for the amendment to FRS 105 Non-current Assets Held for Sale and Discontinued Operations which will become effective for the year ending 31 December 2010. Improvements to FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

The initial application of these standards (including their consequential amendments) and interpretations are not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

Statistics of Shareholders

As at 30 January 2009

Share Capital

Issued and Fully Paid-up Capital	:	$29,611,343
Class of Shares	:	Ordinary shares
Number of Shares	:	415,334,469

Analysis of Shareholders

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 – 999	228	9.25	50,814	0.01
1,000 – 10,000	778	31.58	4,492,195	1.08
10,001 – 1,000,000	1,422	57.71	92,302,180	22.23
1,000,001 and above	36	1.46	318,489,280	76.68
Total	2,464	100.00	415,334,469	100.00

Substantial Shareholders

Name of Substantial Shareholder	Shareholdings registered in the name of the substantial shareholders No. of Shares	%	Shareholdings held by substantial shareholders in the name of nominees No. of Shares	%
1. Qian Hu Holdings Pte Ltd	49,000,000	11.80	60,000,000	14.45
2. Yap Ah Seng Alvin*	18,700,000	4.50	–	–
3. Yap Ah Siong Andy*	18,700,000	4.50	–	–
4. Yap Kim Choon*	18,700,000	4.50	–	–
5. Yap Kim Lee Kenny*	17,000,000	4.09	–	–
6. Yap Hock Huat*	16,100,000	3.88	–	–
7. Yap Ping Heng*	15,700,000	3.78	–	–
8. Yap Kim Chuan*	9,021,994	2.17	9,678,006	2.33

* Each has a shareholding of 14.04% in Qian Hu Holdings Pte Ltd ("QHHPL") except for Yap Kim Lee Kenny whose shareholding in QHHPL is 15.76%.

Twenty Largest Shareholders

	Name of Shareholder	No. of Shares	% of Issued Share Capital
1.	Qian Hu Holdings Pte Ltd	49,000,000	11.80
2.	Hong Leong Finance Nominees Pte Ltd	40,378,000	9.72
3.	DBS Nominees Pte Ltd	32,301,960	7.78
4.	Yap Ah Seng Alvin	18,700,000	4.50
5.	Yap Ah Siong Andy	18,700,000	4.50
6.	Yap Kim Choon	18,700,000	4.50
7.	Yap Kim Lee Kenny	17,000,000	4.09
8.	Yap Hock Huat	16,100,000	3.88
9.	Yap Ping Heng	15,700,000	3.78
10.	Yap Kim Chuan	9,021,994	2.17
11.	Yap Hey Cha	8,325,000	2.01
12.	Koh Guat Lee	7,604,971	1.83
13.	Ang Kim Sua	7,521,000	1.81
14.	Kim Eng Securities Pte. Ltd.	7,494,600	1.80
15.	Goh Siak Ngan	7,254,978	1.75
16.	Choo Chee Kiong	4,800,000	1.16
17.	Lim Boo Hua	4,276,400	1.03
18.	Tan Boon Kim	3,576,279	0.86
19.	Lim Peng Chuan	3,374,000	0.81
20.	Phillip Securities Pte Ltd	3,373,610	0.81
	Total	293,202,792	70.59

Shareholding Held in the Hands of Public

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 30.87% of the issued share capital of the Company was held in the hands of the public as at 30 January 2009. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been compiled with.

Statistics of Warrantholders

As at 30 January 2009

Analysis of Warrantholders

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warants	% of Warants
1 – 999	417	32.55	134,712	0.34
1,000 – 10,000	617	48.17	2,645,583	6.71
10,001 – 1,000,000	238	18.58	13,603,251	34.50
1,000,001 and above	9	0.70	23,043,655	58.45
Total	1,281	100.00	39,427,201	100.00

Twenty Largest Warrantholders

	Name of Warrantholder	No. of Warrants	% of Warrants
1.	Yap Ah Seng Alvin	3,104,552	7.87
2.	Yap Ah Siong Andy	3,104,552	7.87
3.	Yap Kim Choon	3,104,552	7.87
4.	Yap Kim Chuan	2,999,999	7.61
5.	Yap Kim Lee Kenny	2,700,000	6.85
6.	Yap Ping Heng	2,500,000	6.34
7.	Yap Hock Huat	2,300,000	5.84
8.	Choo Chee Kiong	2,200,000	5.58
9.	Cheng Sim Mui	1,030,000	2.62
10.	Kim Eng Securities Pte. Ltd.	997,575	2.53
11.	Mohamed Salleh So Kadir Mohideen Saibu Maricar	825,000	2.09
12.	Tan Tow Ee	805,000	2.04
13.	Tan Hai Hong	699,500	1.77
14.	Tan Boon Kim	596,046	1.51
15.	Lim Peng Chuan	529,000	1.34
16.	Ng Wah Hong	390,241	0.99
17.	United Overseas Bank Nominees Pte Ltd	354,650	0.90
18.	Tan Tiang Hin Jerry	238,600	0.61
19.	Lim Geok Kiew	230,000	0.59
20.	Gerard Charles Holland Oates	225,000	0.57
	Total	28,934,267	73.39

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Wednesday, 11 March 2009 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 2008 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a first and final dividend of 0.2 cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2008. **[Resolution 2]**

3 To re-elect Mr Kenny Yap Kim Lee, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 3]**

4 To re-elect Mr Alvin Yap Ah Seng, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 4]**

5 To re-elect Mr Tan Tow Ee, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[See Explanatory Note (a)]** **[Resolution 5]**

6 To approve the sum of $54,000 as Directors' fees for the financial year ended 31 December 2008. (2007: $45,000) **[Resolution 6]**

7 To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 7]**

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

Special Business

9 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 convertible securities issued pursuant to Rule 829 of the Listing Rules; and/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 total number of issued shares excluding treasury shares in the 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 total number of issued shares excluding treasury shares in the capital of the Company (calculated in accordance with (ii) below); and (ii) for the purpose of determining the aggregate number of shares and convertible securities that may be issued pursuant to (i) above, the total number of issued shares excluding treasury shares shall be calculated based on the total number of issued shares excluding treasury shares in the capital of the Company at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent bonus issue, 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 (b)]** **[Resolution 8]**

Notice of Annual General Meeting (Cont'd)

By Order of the Board

Lai Chin Yee
Yeoh Kar Choo Sharon
Company Secretaries

Singapore
23 February 2009

Explanatory Notes:

(a) Mr Tan Tow Ee, if re-elected, will remain as member of the Company's Audit Committee, Nominating Committee and Remuneration Committee and will also continue to remain as Chairman of the Nominating Committee. Mr Tan Tow Ee will be considered as independent director of the Company.

(b) The ordinary resolution set out in item 9 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 total number of issued shares excluding treasury shares in the 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 total number of issued shares excluding treasury shares in the capital of the Company, as more particularly set out in the resolution.

Note:

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy. The instrument appointing the proxy must be deposited at the registered office of the Company at No. 71 Jalan Lekar, Singapore 698950 not later than 48 hours before the time appointed 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 25 March 2009 for the preparation of dividend 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 24 March 2009 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 24 March 2009 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Tenth Annual General Meeting to be held on 11 March 2009, will be paid on 6 April 2009.

Dear Shareholders

We realise that you may not be able to attend our forthcoming Annual General Meeting ("AGM") for some reason or other. As in the previous years, we have set up several channels to communicate with our investors and shareholders. All because we deeply value your feedback and input.

You now may channel your questions and feedback to us via the following methods:

- **Through our online feedback at our website, www.qianhu.com**
  – At our homepage, please click on 'Qian Hu Feedback'
  – Follow the instructions and click 'Submit' when you have completed the online form
- **By calling our automated hotline number 6511 1086**
  – Dial 6511 1086
  – Choose your language options
  – Press 1 for 'Feedback'
- **By sending us an email through *investor@qianhu.com***
- **By faxing us your feedback through 6766 3995**

We will look into all of your feedback questions and answer them during the AGM, provided that they reach us before 11 March 2009. A copy of the minutes of the AGM will be posted on our website and via SGXNET on the SGX website.

Kenny Yap Kim Lee
Executive Chairman and Managing Director
Qian Hu Corporation Limited

To facilitate your attendance at our Annual General Meeting (AGM) on **11 March 2009**, at **No. 71 Jalan Lekar Singapore 698950 at 11.00 a.m.**, transport arrangements have been made available for you.

We have chartered a bus to ferry you from the **Choa Chu Kang Bus Interchange (next to Choa Chu Kang MRT Station)** to our meeting venue.

Please proceed to the **Choa Chu Kang Bus Interchange Berth B5**. The bus will leave at **10.40 a.m. sharp**.

Transport will also be provided back to the Choa Chu Kang Bus Interchange after the meeting.

IMPORTANT FOR CPF INVESTORS ONLY:

1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF investors and shall not be effective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of Qian Hu Corporation Limited.

Proxy Form

QIAN HU CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199806124N)

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 vote for me/us and on my/our behalf and, if necessary to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at No. 71 Jalan Lekar, Singapore 698950 on Wednesday, 11 March 2009 at 11.00 a.m. and at any adjournment thereof.

I/We have directed 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 may vote or abstain from voting at his/their discretion, as he/they will on any other matters 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 2008		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Kenny Yap Kim Lee as director		
4	Re-election of Mr Alvin Yap Ah Seng as director		
5	Re-election of Mr Tan Tow Ee as director		
6	Approval of directors' fees		
7	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
8	Authority to allot and issue new shares		

* *Please indicate your vote "For" or "Against" with a "✓" within the box provided.*

Dated this ______________ day of ______________ 2009

Total Number of Shares Held

____

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

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 the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

3. 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 Annual General Meeting.

4. 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.

5. 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.

6. 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 Annual General Meeting.

7. 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 shall be entitled to reject any instrument of proxy lodged if the member, being the appointer, is not shown to have any shares entered against his name in the Depository Register as at 48 hours before the time set for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.