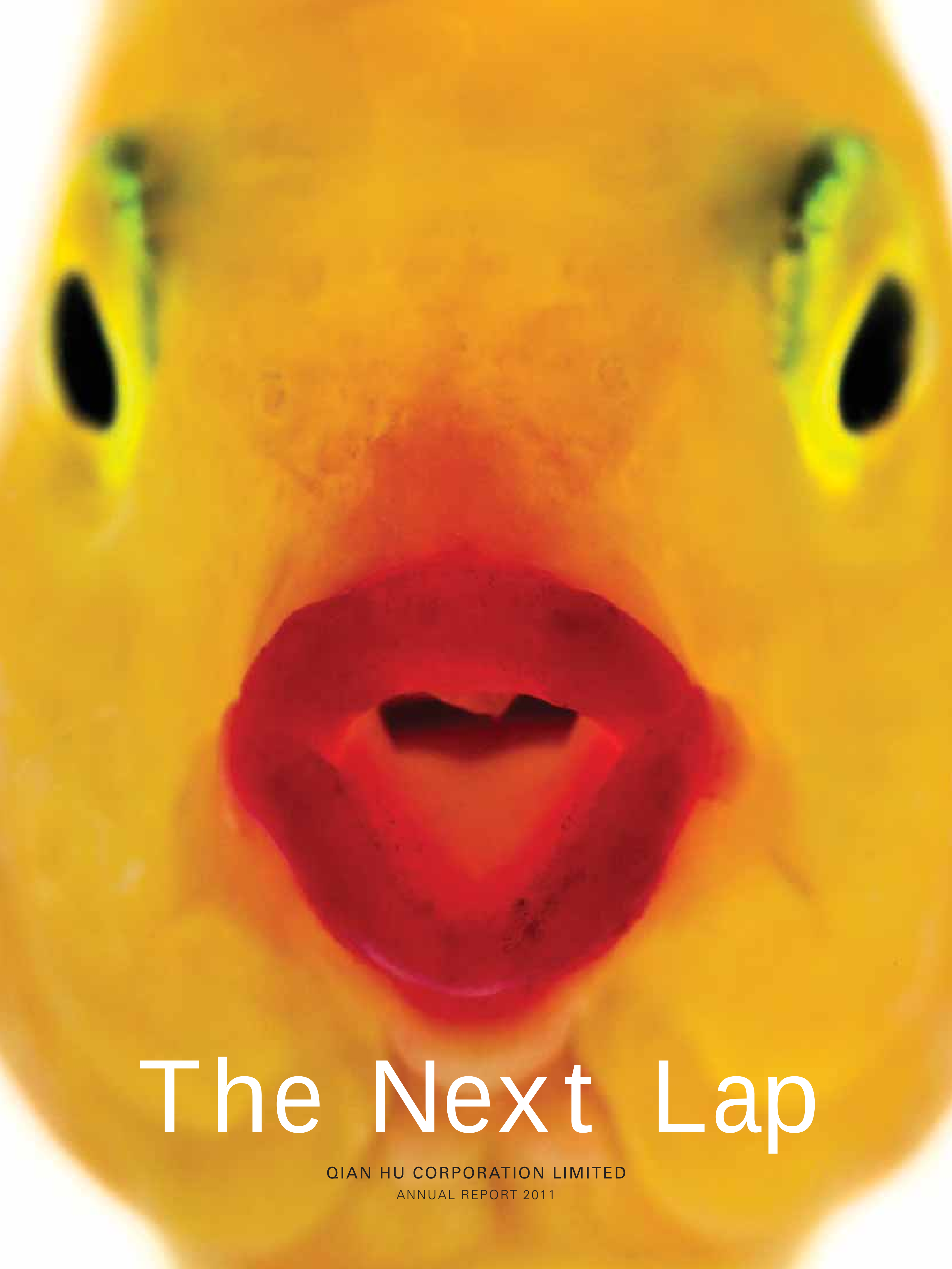


The Next Lap

QIAN HU CORPORATION LIMITED

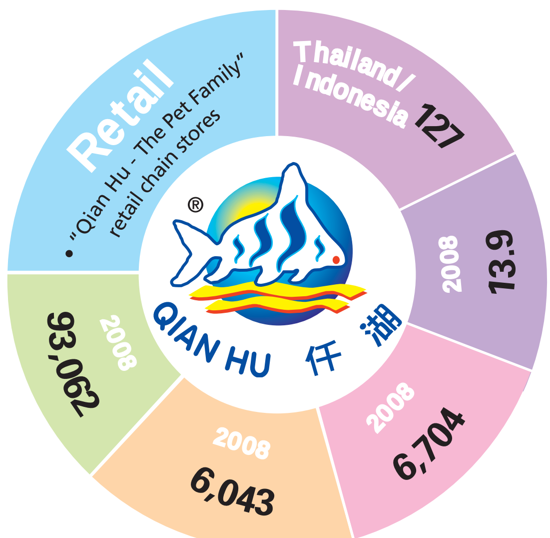
ANNUAL REPORT 2011

Contents

Qian Hu, in the next lap of its growth, is about expanding its distribution network in China and India; expanding its R&D initiatives to improve the know-how of the ornamental fish and accessories business; building a more formidable work force that will continue to build an organisation, layer on layer, success upon success, that truly lasts for generations. The next few years will be about the Group's continued focus on investing in its people, in R&D, and in rewarding shareholders.

QIAN HU 仟湖

To be World's No.1 Ornamental Fish Exporter.


Retail
• "Qian Hu - The Pet Family" retail chain stores
Thailand / Indonesia
127
2008
13.9
2008
6,704
2008
6,043
2008
93,062
QIAN HU 仟湖

To achieve and

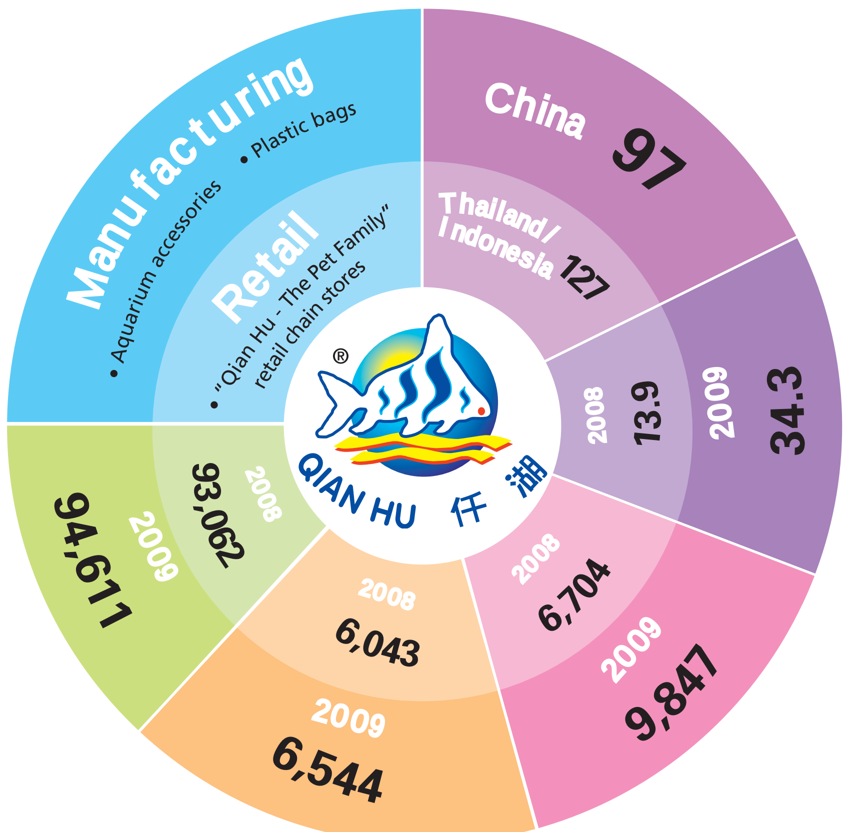
maintain

minimum

10%

of net profit

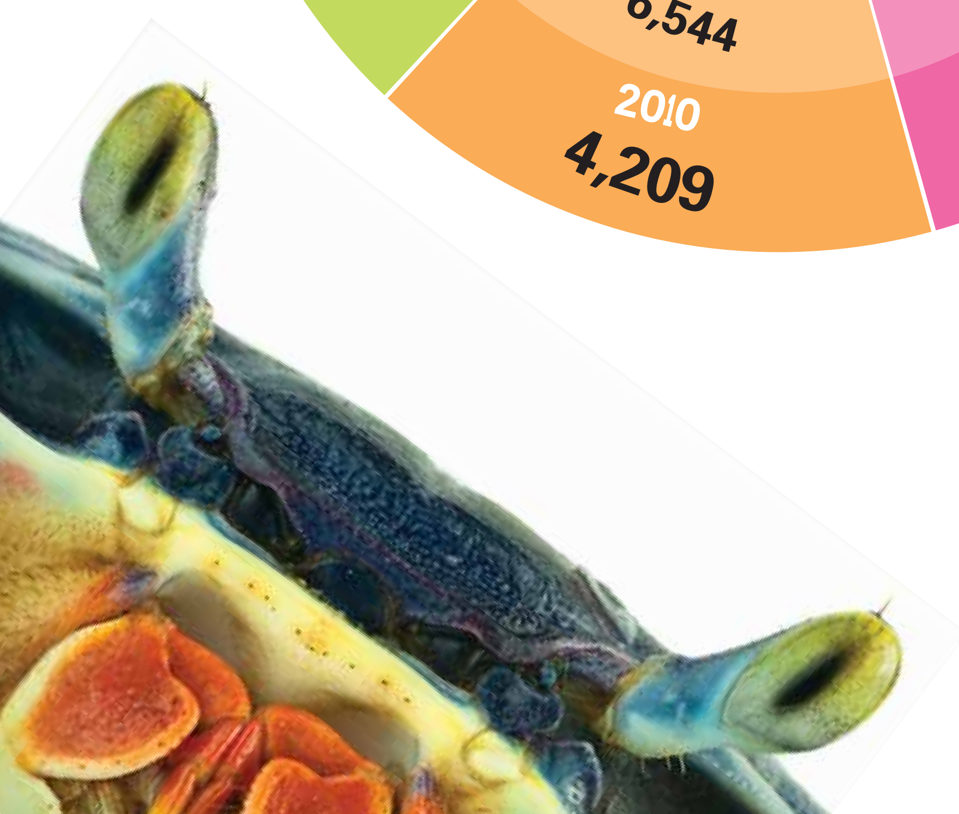
margin.


Manufacturing
• Aquarium accessories
• Plastic bags
Retail
• "Qian Hu - The Pet Family" retail chain stores
China 97
Thailand / Indonesia 127
2008
13.9
2009
34.3
2008
6,704
2009
9,847
2008
6,043
2009
6,544
2008
93,062
2009
94,611
QIAN HU 仟湖

To be the most efficient and productive

ornamental fish company in the region.

Accessories
• Export to approximately 40 countries
• Domestic distribution
Manufacturing
• Aquarium accessories
• Plastic bags
Retail
• "Qian Hu - The Pet Family" retail chain stores
Malaysia 131
China 97
Thailand / Indonesia 127
2008 13.9
2009 34.3
2010 54.0
2008 6,704
2009 9,847
2010 11,691
2008 6,043
2009 6,544
2010 4,209
2008 93,062
2009 94,611
2010 91,163
QIAN HU 仟湖

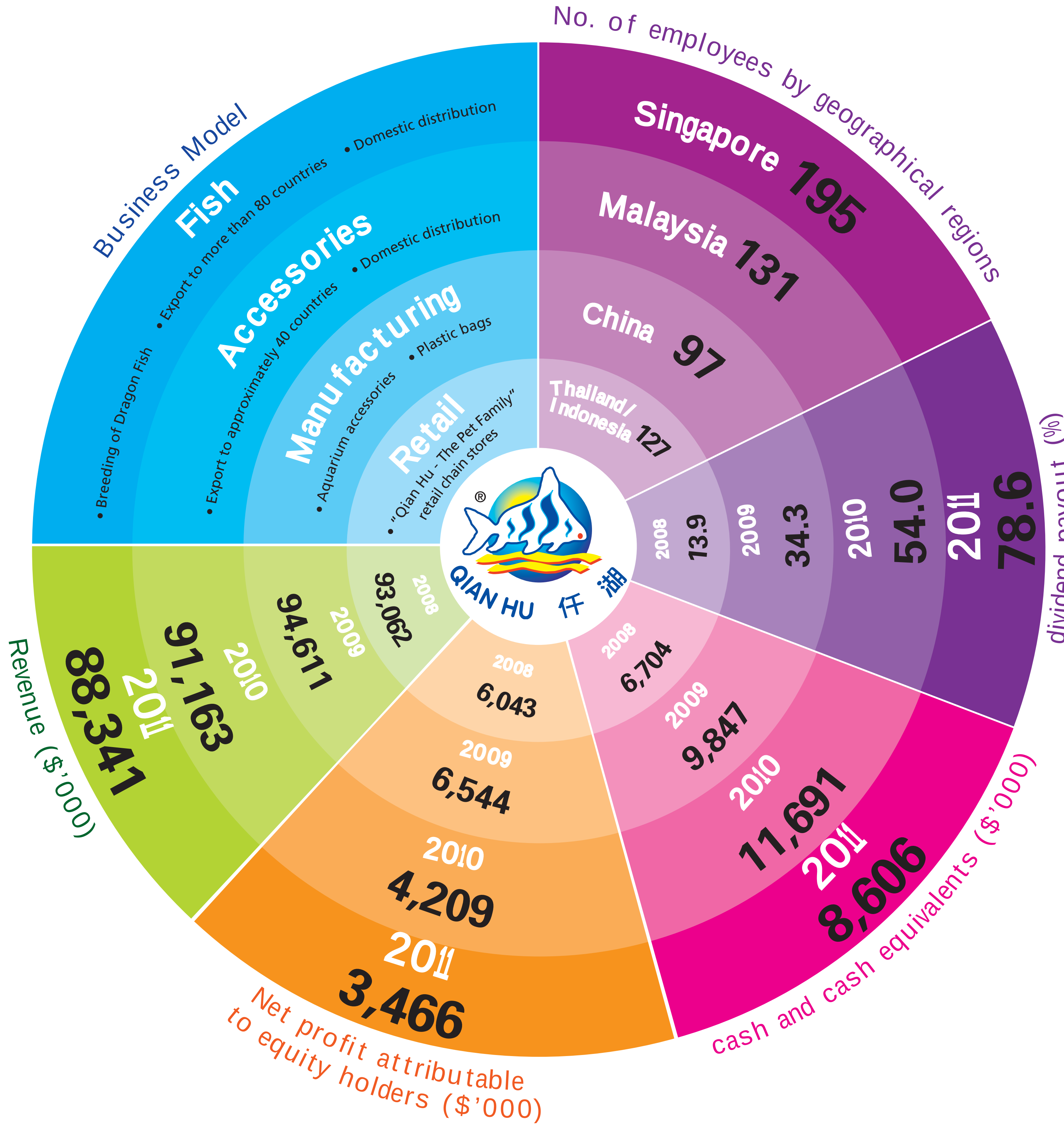


To be a

debt free and

high dividend

payout company.



Business Model
Fish
• Breeding of Dragon Fish
• Export to more than 80 countries
• Domestic distribution
Accessories
• Export to approximately 40 countries
• Domestic distribution
Manufacturing
• Aquarium accessories
• Plastic bags
Retail
• "Qian Hu - The Pet Family" retail chain stores
No. of employees by geographical regions
Singapore 195
Malaysia 131
China 97
Thailand / Indonesia 127
dividend payout (%)
2008 13.9
2009 34.3
2010 54.0
2011 78.6
cash and cash equivalents ($'000)
2008 6,704
2009 9,847
2010 11,691
2011 8,606
Net profit attributable to equity holders ($'000)
2008 6,043
2009 6,544
2010 4,209
2011 3,466
Revenue ($'000)
2008 93,062
2009 94,611
2010 91,163
2011 88,341
QIAN HU 仟湖

At a Glance

My Dear

Bosses

Chairman's Statement

"The next few years will be about the Group's continued focus on investing in its people, in R&D, and in rewarding shareholders."

My dear bosses,

After crossing 10 years as a publicly-listed company, Qian Hu, in our next lap of growth, will focus on expanding the Group's distribution network in China and India, as well as building upon our knowledge capital through our R&D initiatives to improve the know-how of the ornamental fish and accessories business. What we are driving at is in building a more formidable work force that will continue to build an organisation, layer on layer, success upon success, that truly lasts for generations. The next few years will be about the Group's continued focus on investing in its people, in R&D, and in rewarding shareholders.

We have also embarked on a topic which is gaining worldwide acceptance – and that is, the factors that help ensure our sustainability as well as the sustainability of Planet Earth and the societies that we live in and operate through. We have made a baby step towards sustainability reporting and am pleased to present Qian Hu Corporation's first Sustainability Report 2011 – excerpts of which are available in this Annual Report (see pages 52 to 59). Although as a Group, we have been aware about the importance of Corporate Social Responsibility (CSR), we have mainly focused our efforts on managing environmental issues (such as our ISO 14001 certification), our people policies and community outreach, we are now more aware about the issues surrounding a more international audience.

We are thankful to the Singapore Exchange for encouraging more Singapore-listed companies to jump on the CSR bandwagon, and to adopt international frameworks such as the Global Report Initiative (GRI). Qian Hu has always believed in corporate transparency – by making a commitment to report on our sustainability efforts, Qian Hu hopes to continue our tradition of instilling goodwill and confidence in our expanded sphere of stakeholders that have interests beyond corporate profitability.

We aim to align our business interests with that of our stakeholders. More importantly, we aspire to be an organisation with a heart – one that is continually aware of any impact that our business activities or actions may have on the environment, consumers, as well as the needs of the less privileged around us. We continually instill these values in our people, believing that our CSR commitment and involvement will see us through the long haul.

The Macro-Economic Environment & Our Growth Strategy

2011 is again a year of economic uncertainties – exacerbated by the Eurozone debt crisis and fears of the United States running into recession again. Qian Hu's growth in FY 2012 is dependent on our ability to increase ornamental fish exports and sustained improvements in the production and sales of Dragon Fish. We continue to be focused on escalating our export of aquarium and pet accessories to more countries even as we expand our regional domestic distribution network. Sustaining a business is not about delivering short-term profits. It is about generating healthy cash flow, achieving respectable and growing profit margin, and enhancing productivity and efficiency. Qian Hu has a unique mission – We bring fun to everyone! Supporting this is our continual quest for innovation.

Innovation

Since 2000, Qian Hu has spearheaded leading-edge research into the breeding behavior of the Asian Arowana. We have since entered into our second phase of intensive research with Temasek Life Sciences Laboratory. By understanding the behavior of this endangered, pre-historic fish, Qian Hu is able to improve the quality and quantity of future generations of Dragon Fish.

Our R&D team, headed by Dr Alex Chang, has also developed new aquarium accessories products which are well-received in the market, for example using Light Emitting Diode (LED) technology in aquarium lighting products to enhance the appearance of ornamental fish. There are other new products in the development pipeline which will be launched progressively.

Our Environment

Preserving the environment is necessary for the long-term sustainability of our business. While creating value in our business, we aim to minimise the impact that our activities have on the environment. Qian Hu fully complies with the regulatory requirements of our ISO14001 Environmental Management System where we strive to preserve and recycle our natural resources, such as water, in our daily activities of fish breeding, nurturing, retailing and export. Our operations are also compliant with the standards set out by the United Nations' Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Our People Policy

As at 31 December 2011, the Group has 550 employees of which 144 are based at our headquarters in Singapore, while 406 are from our local and overseas subsidiaries – in Malaysia, Thailand and China. At Qian Hu, our people are indeed our biggest asset, and pivotal to our continued sustainability as a global leader in ornamental fish breeding and distribution. We believe in engaging and developing our staff to their fullest potential, and nurturing a motivated workforce who will spearhead the Group's growth. Each year, our training budget is pegged at 2% of our total payroll, with each employee undergoing some 50 hours of training hours on average. We place a strong emphasis on safety, and during the year in review, a total of 95 employees were sent for workplace safety training as well as other skills enhancement training.

Conclusion

Looking ahead, we acknowledge that while Qian Hu has made good progress in the area of sustainability and in engaging our stakeholders, we still face many challenges. We have a strong policy framework, but we now need to ensure that it is implemented effectively and consistently. We will continue to improve upon our level of reporting in addressing a wider, more international audience with various priorities. Our challenge would always be to match our business priorities with that of our various stakeholders. With our clear growth strategy, coupled with our track record in achieving corporate transparency and a culture of excellence, our stakeholders can rest assured that what Qian Hu has set out to do, we will do our best to achieve our short to medium goals, as well as our long term vision.

Kenny The Fish
Executive Chairman and Managing Director

主席的话

“接下来几年，集团的资源投资重点将会围绕着我们的员工、研究与开发项目和回馈股东们。”

各位老板们，大家好！

刚刚庆祝成功上市10周年的仟湖，将步入崭新的成长阶段。接下来，我们会继续将重点放在扩大在中国和印度的分销网络，和把透过我们所推行的研发项目累积下来的经验运用在我们的观赏鱼培植和水族宠物器材产品上。另外，我们建立的强大工作团队将继续在各层面和成功的基础上，一步一脚印地建立一家能够世代传承的仟湖集团。接下来几年，集团的资源投资重点将会围绕着我们的员工、研究与开发项目和回馈股东们。

今年，我们开始探讨一个逐渐受到全球企业关注的课题--那就是，集团的可持性发展因素，以及环境和社会的可持续性因素。针对这些与我们息息相关的课题，仟湖将开始加入可持续发展报告的行列。在这里，我很高兴为大家呈现仟湖的首份“可持续性报告2011”，今年的年报我们特别加入了这份报告的摘录供大家参考（见52页 至 59页）。虽然仟湖集团早已意识到企业社会责任的重要性。但一直以来我们对履行企业社会责任的努力只着重于环境管理（如我们所取得的ISO14001-2004认证），员工管理政策和推广社区发展。如今，我们意识到企业社会责任和环境保护等课题也有着更广宽的国际性影响。

我们很感谢新加坡交易所积极地鼓励更多的新加坡上市公司注重企业社会责任，并采纳像全球报告提倡组织（Global Report Initiative“GRI”）的国际指南。一直以来，仟湖是一家非常重视企业透明度的公司。现在，透过参与可持续发展报告的承诺，我希望能够向扩大层面的股东们灌输仟湖的经营理念不权限于盲目地追求利益。

当然，我们的目标是在公司的商业利益和股东们的利益之间取得平衡。可是，我们更希望仟湖能够成为一家关爱社会的企业，一家能意识到企业的运营对环境和社会所带来的影响，以及关注弱势社群的企业。我们不断对我们的员工们灌输这些价值观，因为我们深信企业社会责任的承诺和参与有助于仟湖长期的稳定发展。

宏观经济环境与我们的增长策略

2011年还是一个经济动荡的一年。欧元区债务危机和美国可能再次陷入衰退更加剧了原本不明朗的经济前景，添加了新的阴影。仟湖2012财政年的增长取决于我们提高观赏鱼出口和持续性的增加龙鱼的生产能力和销售量。在继续扩展我们水族宠物器材产品在东南亚区域的销售网点的同时，我们也会继续努力将水族宠物器材产品出口到更多的国家。一家企业若只考虑眼前短期的盈利是没有办法持久的。企业可持性发展不可或缺的元素包括了健全的现金流量、稳健增长的利润率和不断提高生产力及加强效率。仟湖有一个非常独特的使命，就是我们要不断地将欢乐带给大家！这项使命也正是仟湖不断追求创新的原动力。

创新、创意

自2000年起，仟湖就率先着手亚洲龙鱼的繁殖行为的研究。目前，我们与淡马锡生命科学的研究计划已迈入第二阶段。我们希望透过这项研究能够让我们更了解这些濒危绝种鱼类的行为，而仟湖也将能够从研究所得到的相关资料来改善龙鱼的质量和数量。

此外，由张国炜博士 （Dr. Alex Chang）所带领的研发团队开发了一些在市场上有较好反映的水族器材产品，包括了采用发光二极管技术（Light Emitting Diode “ LED ”）使到鱼缸照明灯能令观赏鱼的外观添加色彩，更为赏心悦目。集团也将陆续推出一些正在研发中的新产品。

我们的环境

保护你我居住的环境对于企业的长期可持续性发展是重要的一环。当我们积极地为业务创造价值的同时，我们也希望在过程中能够将对环境的影响降到最低。因此，仟湖以严谨的态度严格执行（如我们所取得的ISO14001-2004认证）环境管理系统在我们的日常活动里如鱼类繁殖、培育、零售和出口，任何能够节省和回收的自然资源，例如水，我们都尽可能地不浪费。我们的业务的营运模式也符合联合国“ 关于野生动植物（濒危物种公约）濒危物种国际贸易公约 ”（Convention on International Trade in Endangered Species “ CITES ”）所载的标准。

我们的员工政策

截至于2011年12月31日，仟湖总员工数量为550人。其中144人在新加坡总公司任职，而另外406人则在我们国内及海外的子公司如马来西亚，泰国和中国等国家任职。在仟湖，员工不仅仅是我们最宝贵的资产，他们更是我们继续成为全球领先的观赏鱼养殖和分销商的重要关键。我们相信，让员工们参与我们的发展策略并协助发掘他们的潜能，将他们培育成一支积极进取的团队，必能更有效地带动集团的增长。每一年，我们的培训预算是我们的工资总额的百分之二。每位员工都必须接受约50小时的培训课程。在仟湖，安全问题是个受到高度重视的课题，今年我们共有95位员工参加工作场所的安全培训课程和其他提升技能的相关培训课程。

总结

展望未来，我们必须承认，虽然仟湖在可持续发展和与股东们的沟通方面取得良好的进展，我们仍然面临着许多挑战。我们有一个非常坚固的政策框架，但我们现在必须确保它们能够有效并一贯地实行。我们也会继续提升可持续性报告的水平以便能更有效地接触到更广泛，更具国际观点和持有不同重点考量的利益相关者。我们的长期挑战始终是如何在公司的商业利益与投资者的利益之间取得一个双赢的平衡关系。有着明确的发展策略，加上我们一贯保持着的企业透明度和追求卓越的信念，对于仟湖所设下的短期和长期性的目标，我们都会竭尽所能，全力以赴地去将它们一一完成与实现！

叶金利
执行主席兼总裁

Board of Directors

1. KENNY YAP KIM LEE
2. ALVIN YAP AH SENG
3. ANDY YAP AH SIONG
4. LAI CHIN YEE
5. TAN TOW EE
6. CHANG WENG LEONG
7. SHARON YEOH KAR CHOO

Board of Directors

KENNY YAP KIM LEE
Executive Chairman and Managing Director

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

In 2008, he was named 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 First 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. He also serves as a council member of the Corporate Governance Council with effect from 1 February 2010.

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.

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.

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 appointed by the Ministry of Finance as a member of the Tax Advisory Committee 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. She is currently a member of the CFO Committee of the Institute of Certified Public Accountants of Singapore.

Ms Lai graduated with a Bachelor degree in Accountancy from the National University of Singapore and is a Fellow of the Institute of Certified Public Accountants of Singapore. In 2009, Ms Lai was named the Chief Financial Officer of the Year (companies with less than $300 million in market capitalisation) at the Singapore Corporate Awards.

TAN TOW EE
Independent Director

Mr Tan Tow Ee was appointed in May 2002 as an Independent Director of Qian Hu Corporation Limited. He was appointed the Chairman of the Audit Committee on 17 September 2011.

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). Also the Chairman of the Branding Committee, Mr Tan plays a pivotal role in developing Qian Hu's brand name into the region.

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.

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).

SHARON YEOH KAR CHOO
Independent Director

Ms Sharon Yeoh was appointed on 17 September 2011 as an Independent Director of Qian Hu Corporation Limited. She is the Chairman of the Nominating Committee which assesses the Board's performance and effectiveness as well as the independence of directors.

She is Director, corporate secretarial services of Corporate Alliance Pte. Ltd. and runs an active practice acting for and advising companies of various backgrounds and industries in their setting up, operations and compliance matters in Singapore. Ms Yeoh has more than 20 years of professional experience in corporate secretarial industry. She had previously worked in corporate services division of Coopers & Lybrand Hong Kong and Coopers & Lybrand Singapore (Coopers & Lybrand merged with Price Waterhouse and became PricewaterhouseCoopers in 2000); Evatthouse Corporate Services Pte. Ltd. and M & C Services Private Limited. She was also the in-house secretary of a substantial shipping/hotel owning group of companies. In her years of practice, she has acted as company secretary to various public, public listed and private companies.

Ms Yeoh was admitted as an Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom in 1990. She is a member of the Singapore Association of the Institute of Chartered Secretaries & Administrators (SAICSA). She holds a practicing certificate from SAICSA.

Senior Management

SINGAPORE

LOW ENG HUA
Group General Manager

Mr Low joined the Group in 2001 and is responsible for the overall management and business development of the Group. 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.

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 won 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 the Group's plastics business.

ALEX CHANG KUOK WEAI
Head, Group Integrated R&D Department

Dr Chang joined the Group in January 2009. He attained his Doctorate Degree from The National University of Singapore specialising in Fish Molecular Genetics. Dr Chang is the main coordinator in the Group's R&D collaboration with external research organisations and all the subsidiaries' R&D teams.

Dr Chang was both a lecturer and the Head of the Centre for Aquatic Science and Technology in Ngee Ann Polytechnic before joining Qian Hu. Prior to that he was a member of the technical staff at DSO National Laboratories' Centre for Biological and Chemical Defence. In 1998, he also headed a freshwater Crayfish Research Company.

Dr Chang currently serves as a member in the Ornamental Fish Business Cluster initiated by AVA. He is also an author to various Aquatic Science research articles in International Peer-reviewed Scientific Journals and has authored a book in the Asian Cichlasoma species.

CHINA

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 its Guangzhou operations in 2005 and was transferred to our Beijing and Shanghai operations in August 2007 and January 2008 respectively to handle the day-to-day operations and oversee the 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.

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 specialise in the breeding of Arowana but Arapaima Gigas and Red Gourami as well.

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 the Group 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.

INDIA

SELVARAJ BALASWAMY

Managing Director
Qian Hu Aquasstar (India) Private Limited

Mr Selvaraj has more than 25 years of experience in the ornamental fish and accessories business. He founded Aquasstar in 1984 and is now a leading aquarium accessories distributor in India. Over the years, Mr Selvaraj has visited many overseas trade shows and was awarded with dealership for various esteem brands of accessories for the India market.

THAILAND / INDONESIA

JIMMY TAN BOON KIM

Managing Director
Thai Qian Hu Company Limited
Qian Hu Marketing Co Ltd
Advance Aquatic Co Ltd
P.T. Qian Hu Joe Aquatic Indonesia

Mr Tan oversees the business operations and business development of the Group's subsidaries in Thailand.

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.

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.

CHIVALRY AI PRANOTO

General Manager
P.T. Qian Hu Joe Aquatic Indonesia

Mr Pranoto Chivalry joined Joe Aquatic Indonesia , PT in 2007 as its Operations Manager and was promoted to his current role in 2011, where he is in charge of the overall business operations and management of P.T. Qian Hu Joe Aquatic Indonesia, a joint venture between Qian Hu and Joe Aquatic Indonesia, PT.

Mr Chivalry holds a diploma in Agribusiness from the Bogor Agricultural Institute.

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
TAN TOW EE

INDEPENDENT DIRECTOR
SHARON YEOH KAR CHOO

COMPANY SECRETARY
LAI CHIN YEE

INVESTOR RELATIONS CONTACTS
KENNY YAP KIM LEE
kenny_yap@qianhu.com

AUGUST CONSULTING PTE LTD
HO SEE KIM
seekim@august.com.sg

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

AUDIT COMMITTEE
CHAIRMAN
TAN TOW EE

MEMBERS
CHANG WENG LEONG
SHARON YEOH KAR CHOO

NOMINATING COMMITTEE
CHAIRMAN
SHARON YEOH KAR CHOO

MEMBERS
TAN TOW EE
CHANG WENG LEONG

REMUNERATION COMMITTEE
CHAIRMAN
CHANG WENG LEONG

MEMBERS
TAN TOW EE
SHARON YEOH KAR CHOO

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

OVERSEA-CHINESE BANKING CORPORATION LIMITED

MALAYAN BANKING BERHAD

STANDARD CHARTERED BANK

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

BANK OF CHINA

Group Structure

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

100% Qian Hu Aquarium and Pets (M) Sdn Bhd
Block E, Lot 6212, Kg. Baru Balakong 43300 Balakong, Selangor Darul Ehsan, Malaysia

100% Qian Hu The Pet Family (M) Sdn Bhd
Block E, Lot 6212, Kg. Baru Balakong 43300 Balakong, Selangor Darul Ehsan, Malaysia

100% Beijing Qian Hu Aquarium and Pets Co., Ltd
Dong Fish Farm, Bei Ma Fang Village, Jinzhang Town, Chao Yang District, Beijing, China

100% Shanghai Qian Hu Aquarium and Pets Co., Ltd
No 165, Pingle Road, Huacao Town, Minhang District, Shanghai, China

74% Qian Hu Marketing Co Ltd
30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand

65% Kim Kang Aquaculture Sdn Bhd
No. 5 & 6, Jalan Setiajaya, Taman Setia Jaya, 83000 Batu Pahat, Johor, Malaysia2017

60% Thai Qian Hu Company Limited
30/25 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand

60% Advance Aquatic Co Ltd
30/24 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand

55% P.T. Qian Hu Joe Aquatic Indonesia
No. 35, Jalan Anyar Leuwinutug, Kec. Citeureup Bogor, Indonesia 16810

49% NNTL (Thailand) Limited
30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand

(The Group has voting control atgeneral meetings and Board meetings)

Associates

50% Qian Hu Aquasstar (India) Private Limited
No 23 Natarajan Nagar, By Pass Road Madahavaram, Madhavaram, Chennai, 600 060 India

20% Arcadia Products PLC
8 io Centre, Salbrook Road, Redhill RHI 5GJ, United Kingdom

The Qian Hu Story

Our history can be traced back to the early days of the Company's pioneers – two brothers who were in the pig farming business – Mr Yap Tik Huay, the father of our Executive Chairman Kenny Yap, and his brother, Mr Yap Hey Cha, father of our Deputy Managing Directors Alvin Yap and Andy Yap.

1985

Converted old pig pens into concrete ponds and bred guppies for local exporters.

1997

Launched auto-packing machinery for packing of fish.

1999

Expanded the accessories distribution to Malaysia, China and Thailand.

2000

The year Qian Hu became a public listed company!

2001

Established Guangzhou as our manufacturing hub for aquarium accessories.

2006

A turnaround year for Qian Hu as all of its core business did well, including the 12 retail chain stores in Malaysia, Thailand and China.

2007

Acquisition of a 20% stake in UK-based Arcadia Products PLC.

2008

Spearheaded cutting-edge research on in-vitro breeding of pedigree Dragon Fish.

1989

A severe thunderstorm wiped out all the guppies. Company was renamed Qian Hu which went on to farm High-Fin Loaches despite knowing very little about this fish. In one fell swoop, our entire stock of 4,000 Loaches died. We lost almost everything again, except the determination to rise up.

To this day, the High-Fin Loach serves as Qian Hu's mascot – which serves as a daily reminder to us.

1990

Expanded into the local wholesale distribution business with a wider range of ornamental fish and aquarium accessories.

1993

Foray into the China market with a joint venture in Beijing, supplying cold-water ornamental fish and aquarium accessories.

1995

Awarded three ISO 9002 certifications and an ISO 14001 for environmental management system.

2002

Transferred to Mainboard of the Singapore Exchange.

2003

Acquired Kim Kang Aquaculture – a leading Dragon Fish breeder in Malaysia.

Awarded the International Headquarters status from the Economic Development Board (EDB).

2004

Launch of "Qian Hu – The Pet Family" retail chain stores in Malaysia, China and Thailand.

Established a subsidiary in Shanghai.

2005

Year of transformation and consolidation of the Group's businesses.

2009

Set up a joint venture company in Chennai, India.

First SME in Singapore to win the Singapore Quality Award twice – in 2004 and 2009.

First company in the history of the Singapore Corporate Awards to bag four awards in the same year, namely, Best Managed Board (Merit); Chief Financial Officer of the Year; Best Investor Relations (Bronze) and Best Annual Report (Gold), amongst companies with less than $300 million in market capitalisation.

2010

Qian Hu celebrated 10 fun years of being listed on the Singapore Exchange, having achieved a compounded annual growth rate of 9.2%.

2011

Incorporated a subsidiary in Indonesia.

Despite operating in a challenging business environment, Qian Hu continued to receive accolades for its quality track record.

About Qian Hu

Incorporated in 1998 and listed on the Singapore Exchange since 2000, Qian Hu Corporation Limited is an integrated ornamental fish service provider with business activities ranging from the breeding of Dragon Fish to farming, importing, exporting and distributing of 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.

Our Global Footprint

more than 80 countries

The number of countries Qian Hu exports to, securing Singapore's reputation as The Ornamental Fish Capital of the World

Global Distribution & Export Markets

- Distribution Points
- Our Export Markets

Our Prospects in 2012

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 more than 5% of the world market share. As Singapore, Malaysia, Thailand and Indonesia supply in total close to 60% of the world's ornamental fish, with the setting up of a new ornamental fish export operation in Indonesia in FY 2011, we have completed our supply bases of ornamental fish in the region and we are confident of increasing the number of countries we currently export to from these export hubs. While we increase our efforts on expanding our export distribution network to more countries around the world, we will focus on high-growth regions such as the Middle East, Eastern Europe, China and India.

ESCALATION OF OUR EXPORT OF AQUARIUM AND PET ACCESSORIES

Our export of aquarium and pet accessories has seen a healthy momentum of growth and its footprint will continue to expand. Currently, we export our accessories products to approximately 40 countries around the world. It is our intention to grow our export of aquarium and pet accessories to as many countries as our ornamental fish export. We aim to do this by cross selling our accessories products to our existing ornamental fish customers, as well as expanding our customer base in new countries through active marketing and participation in trade shows. It is important that we focus on innovative product development, ensuring consistency in quality and the building up of our own proprietary brand names.

STREAMLINING OF OUR BREEDING AND SALES OF DRAGON FISH

Dragon Fish business segment is going to be very challenging for the next few years. We envisage keener competition especially from the source of supply of Dragon Fish. Hence, it is critical for our Group to assimilate the breeding of Dragon Fish in Singapore and Malaysia to our overseas markets, especially in China. Leveraging on the advantage of our advance R&D know-how in producing high quality selectively bred Dragon Fish, coupled with our existing strong market capability in Southeast Asia and China, we believe that we will conquer more market and should do better than other competitors from the region.

INCREASE IN OUR CASH FLOW GENERATION

Our Group's current business model is now more robust and diversified after the completion of the restructuring exercise in FY 2006. As we are operating in the niche lifestyle and service industry, we believe that we can achieve a respectable profit margin by leveraging on our proprietary brands, strong R&D efforts and an efficient supply chain management. Going forward, our focus is also on generating stronger cash flow from operating activities, and our internal target is that at least half of the Group's profitability should be realised into cash.

EXPANSION OF OUR REGIONAL DOMESTIC DISTRIBUTION NETWORK

Our headquarters in Singapore, together with our subsidiaries in Bangkok, Kuala Lumpur, Jakarta, Beijing and Shanghai, distribute ornamental fish and aquarium and pet accessories in their respective countries. The Singapore base should record organic growth, but we anticipate that the Thailand, Malaysia, Indonesia and China markets will continue to grow healthily with much untapped markets. In China, we intend to further increase our distribution points from the existing 250 locations to approximately 300 locations by end of Year 2012. Our joint venture in India will also enable us to expedite our penetration into the India market.

Group Financial Highlights

(5-Year Statistics)

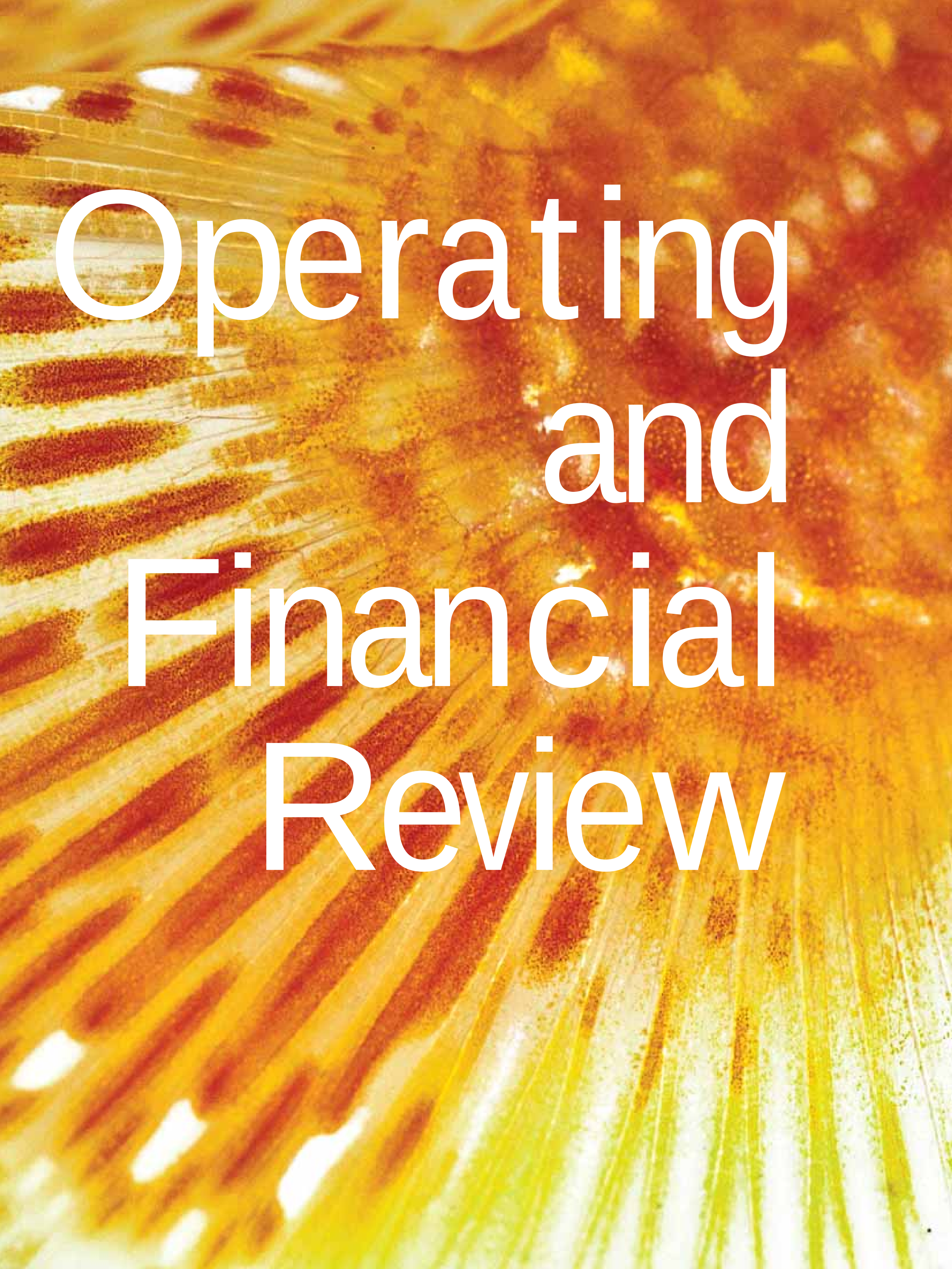
	2011	2010	2009	2008	2007
For the year ($'000)					
Revenue	88,341	91,163	94,611	93,062	91,720
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	7,472	8,653	12,776	12,520	10,977
Operating Profit	4,151	5,299	9,440	9,191	7,919
Net Profit attributable to equity holders	3,466	4,209	6,544	6,043	4,948
Operating Cashflow	1,653	4,057	12,238	9,819	8,650
Capital Expenditure	2,091	1,512	8,214	11,115	9,318
At year end ($'000)					
Total Assets	105,945	107,409	103,767	100,512	88,823
Total Liabilities	32,321	34,379	34,547	37,778	33,190
Shareholders' Funds	73,624	73,030	59,226	53,591	47,998
Cash and Cash Equivalents	8,606	11,691	9,847	6,704	5,450
Key ratios					
Revenue growth (%)	(3.1%)	(3.6%)	1.7%	1.5%	20.5%
Net Profit growth (%)	(17.7%)	(35.7%)	8.3%	22.1%	89.1%
Net Profit margin (%)	3.9%	4.6%	6.9%	6.5%	5.4%
Debt-to-equity ratio (times)	0.44	0.47	0.50	0.60	0.60
Return on Shareholders' Funds (%)	4.9%	6.2%	11.0%	11.3%	10.3%
Return on Total Assets (%)	3.4%	4.2%	6.3%	6.0%	5.6%
Per share information (cents)					
Earnings per share	0.76	0.93	1.48	1.36	1.23*
Net Assets per share	16.21	16.08	16.4	15.1	13.5**
Gross Dividend per share - ordinary	0.60	0.50	0.50	0.20	-
Gross Dividend per share - special	-	-	-	-	8.54
Market capitalisation ($'million)					
at close of business on the first trading day after the announcement of audited results	42.69	59.03	74.02	39.45	68.18

Value-added Statement

	2011 $'000	2010 $'000
Revenue earned	88,341	91,163
Less: Purchase of goods	(68,892)	(69,985)
Gross value-added from operations	**19,449**	**21,178**
Other income	1,166	114
Exchange gain	547	496
Share of losses of associates	(97)	(67)
Total value-added	**21,065**	**21,721**
Distribution:		
To employees in salaries and other related costs	12,811	12,471
To government in corporate and other taxes	872	1,050
To providers of capital:		
- Interest paid on borrowings from banks	410	501
Retained for re-investment and future growth		
- Depreciation and amortisation	2,827	2,791
- Accumulated profits	3,466	4,209
- Non-controlling interests	135	308
Non-production cost and income:		
- Bad trade receivables and allowance for doubtful trade receivables	429	628
- Allowance for (Write back of) inventory obsolescence	115	(170)
Total distribution	**21,065**	**21,788**

PRODUCTIVITY DATA	**2011**	**2010**
Number of employees	550	719
Value-added per employee ($'000)	38	30
Value-added per $ of employment cost	1.64	1.74
Value-added per $ sales	0.24	0.24
Value-added per $ of investment in property, plant and equipment	0.35	0.35

Operating and Financial Review



THE YEAR 2011

Proposed a 20% increase in its first and final dividend of 0.6 cents per share for the financial year 2011 to its shareholders, paying up to approximately $2.7 million or 79% of its FY 2011 net earnings. It is the highest absolute cash amount the Group has ever declared.

Realised comparable revenue against the backdrop of a challenging year. The Group's diversified business model proved robust in a slowing global economic environment.

Incorporated a 55% subsidiary in Indonesia, dealing in the trading and distribution of ornamental fish.

Transformed into a market-focus and forward-looking company, concentrating on continual pursuit of improvement in its corporate and social performance and sustaining business excellence.

Ability to generate healthy and positive operating cash flow and a reduction in gearing ratio from 0.47x in FY 2010 to 0.44x in FY 2011 with the repayment of external borrowings.

R&D team in the Singapore HQ focuses on the upgrading of the quality of ornamental fish export, development of a new range of revolutionary aquarium accessories and exploring new form of ornamental fish farming technology to meet the changing demand in the ornamental fish market.

Operating and Financial Review

BUSINESS REVIEW

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

Currently, Qian Hu has presence in seven countries, namely, Singapore, Malaysia, Thailand, Indonesia, China, United Kingdom and India, which consists of ten subsidiaries and two associates (collectively known as "the Group").

The Group has three main business activities - Ornamental Fish, Accessories and Plastics. For the financial year ended 31 December 2011, the Group recorded revenue of $88.3 million, of which approximately 87% was contributed by the core businesses (Ornamental Fish and Accessories), while Plastics contributed the remaining 13%. The Ornamental Fish business accounted for the bulk of the Group's operating profit at 45%, compared to 40% from Accessories and 15% by Plastics.

ORNAMENTAL FISH

The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming, wholesale 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. The "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 retailers in mainly Asia and Singapore, including supermarkets operated by NTUC FairPrice, Cold Storage and Carrefour. The export of aquarium and pet accessories has seen a healthy momentum of growth. Currently, the Group exports its accessories products to approximately 40 countries around the world.

Over the years, the Group has developed its proprietary brands of aquarium and pet accessories under the name "Ocean Free", "OF", "Classica", "Aqua Zonic", "Delikate", "BARK" and "Aristo-cats YI HU". The Group have a factory in Chennai (India) dealing with the manufacture of fish food.

In addition, since 2004, Qian Hu started penetrating the retail market with a chain store concept, "**Qian Hu – The Pet Family**", which it intends to professionalise a highly fragmented market to mass market a niche industry. Since then, it has opened 12 retail chain stores in China, Malaysia and Thailand. All the chain stores sell both ornamental fish and related aquarium & pet accessories while some stores also provide pet grooming activities.

PLASTICS

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 – Decreased by $2.8 million or 3.1% mainly due to continuous weakening purchasing sentiments from the challenging European markets in anticipation of the curb in the government's budget spending in order to restrain the rising government debts level, coupled with the massive and prolonged flooding situation in Thailand from August to December as a result of heavy rainfall which has affected the ornamental fish shipments during that period. Similarly, the accessories business in Bangkok also experienced temporary disruption as a result of the disaster during that period.

Gross profit – Decreased by $1.9 million or 6.7% mainly due to a decrease in revenue generated as a result of low business activities as mentioned above. In addition, the fair value of breeder stocks as at 31 December 2011, which was determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier, was approximately $0.3 million lower than that of the previous year. This has a negative impact on the profit margins of the Group.

Other income – Increased by $1.1 million or 922.8% mainly due to gain on disposal of a subsidiary of approximately $1.0 million arising from the disposal of the Group's entire equity interest in Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") in December 2011.

Profit before income tax – Decreased by $1.1 million or 21.7% due to a decline in gross profit mentioned above coupled with a marginal increase in operating expenses. The amount of operating expenses incurred in FY 2011 was $0.2 million or 0.9% higher as compared to that of FY 2010 mainly due to increase in staff costs as result of annual salary revision. Financial expenses, however, has decreased mainly due to lower interest rates charged by financial institutions during the financial year.

Income tax expenses – Decreased by $0.2 million or 29.7% on the back of lower operating profit. The lower effective tax rate of 16.0% in the current financial year as compared to 16.9% in FY 2010 was due to lower profit contribution from entities with a higher tax rate in FY 2011 as well as tax savings as a result of certain expenditure incurred by the Singapore entities qualifying for enhanced tax deduction under the Productivity and Innovation Credit (PIC) scheme.

Profit attributable to equity holders of the Company – Decreased by $0.7 million or 17.7% as a result of lower revenue and profit generated. Net profit margin declined by 0.9 percentage point to 4.1%.

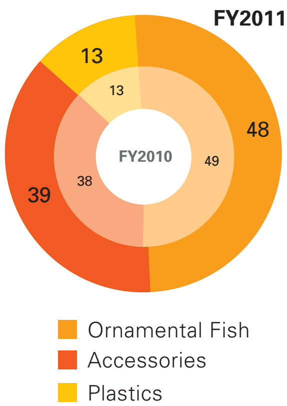
INCOME STATEMENT

	2011 $'000	2010 $'000	Change %
Revenue			
- Ornamental Fish	42,713	45,175	(5.4)
- Accessories	34,289	34,433	(0.4)
- Plastics	11,339	11,555	(1.9)
Total Revenue	**88,341**	**91,163**	**(3.1)**
Less : Cost of sales	(61,041)	(61,916)	(1.4)
Gross Profit	**27,300**	**29,247**	**(6.7)**
Add : Other income	1,166	114	922.8
Less : Operating expenses	(24,218)	(23,995)	0.9
Operating Profit	4,248	5,366	(20.8)
Add : Share of losses of associates	(97)	(67)	44.8
Profit before income tax	**4,151**	**5,299**	**(21.7)**
Less : Income tax expense	(550)	(782)	(29.7)
Profit for the year	**3,601**	**4,517**	**(20.3)**
Attributable to:			
Equity holders of the Company	3,466	4,209	(17.7)
Non-controlling interests	135	308	(56.2)
Profit for the year	**3,601**	**4,517**	**(20.3)**

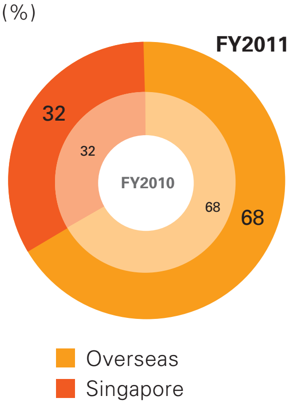
Operating and Financial Review (cont'd)

Revenue

REVENUE BY BUSINESS ACTIVITIES
(%)



REVENUE BY GEOGRAPHICAL LOCATION
(%)



	Financial year ended 31 Dec 2011 $'000	2010 $'000	Decrease $'000	%
Ornamental Fish	42,713	45,175	(2,462)	(5.4)
Accessories	34,289	34,433	(144)	(0.4)
Plastics	11,339	11,555	(216)	(1.9)
	88,341	**91,163**	**(2,822)**	**(3.1)**

The Group's revenue decreased by $2.8 million or 3.1% from approximately $91.1 million for the year ended 31 December 2010 to $88.3 million for the year ended 31 December 2011.

On a geographical basis, revenue from Singapore and overseas dipped by 3.9% and 2.7% respectively in the FY 2011 as compared to FY 2010.

ORNAMENTAL FISH

The reduction of the ornamental fish revenue by approximately $2.5 million or 5.4% in FY 2011 as compared to FY 2010 was mainly due to the following:-

- Weakening purchasing sentiments from the challenging European markets in anticipation of the curb in the government's budget spending in order to restrain the rising government debts level has resulted in a reduction in demand for ornamental fish in that region.

- Massive and prolonged flooding situation in Thailand, which began in August and continued into December as a result of heavy rainfall, has disrupted the ornamental fish operations there. The number of shipments was significantly reduced due to the deficiency in logistics support for the delivery of fish during that period. The disaster has a severe impact on the revenue contribution from ornamental fish as the Thailand operations constitute approximately 15% of the Group's ornamental fish revenue.

ACCESSORIES

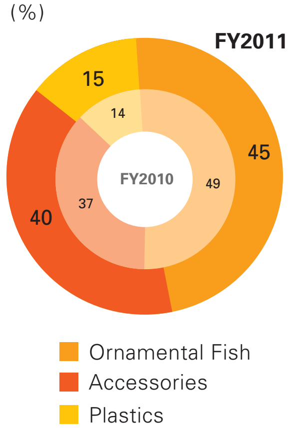
The reliant accessories export business, which managed to leverage on the Group's existing overseas distribution bases and network, has continued to turn in consistent revenue throughout the financial year. However, the Group's accessories operations located in Bangkok, was temporarily disrupted as a result of the severe flood since October. During this period, the domestic accessories wholesale activities, as well as the retail chain stores in Bangkok's downtown area was drawn to a halt. This, coupled with the lower accessories export from the Guangzhou factory as a result of the reduction in production orders received from its OEM customers with business dealings mainly in the European markets which were affected by the region's sluggish economic conditions, has resulted in a revenue contribution of approximately $34.3 million in the current financial year for this business segment, which is comparable to that of FY 2010.

PLASTICS

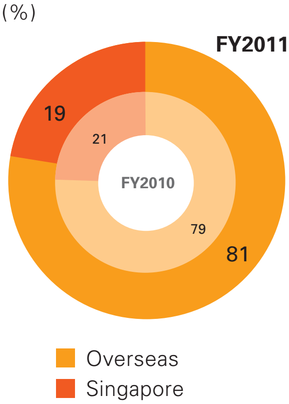
Despite somewhat affected by the sales of plastic products to the semiconductor and electronic sectors as a result of the diminution in production output from these sectors during the financial year, coupled with a tumble in market demand in view of the global economic slowdown, the plastics business segment managed to register stable revenue in the current financial year as compared to FY 2010 as it stays focused on generating revenue through enlarging the customer base and selling more varieties of plastic products.

Profitability

PROFIT BY BUSINESS ACTIVITIES
(%)



PROFIT BY GEOGRAPHICAL LOCATION
(%)



	Financial year ended 31 Dec			
	2011	2010	Decrease	
	$'000	$'000	$'000	%
Ornamental Fish	2,945	3,747	(802)	(21.4)
Accessories	2,599	2,790	(191)	(6.8)
Plastics	953	1,104	(151)	(13.7)
Unallocated corporate expenses	(2,346)	(2,342)	(4)	(0.2)
	4,151	**5,299**	**(1,148)**	**(21.7)**

Operating profit before taxation decreased by approximately $1.1 million or 21.7% to $4.2 million as compared to the previous financial year. Profit after taxation attributable to equity holders decreased by 17.7% from $4.2 million in FY 2010 to approximately $3.5 million in FY 2011. Despite a significant reduction in operating profit year-on-year, the ornamental fish business remained the main profit contributor in the current financial year.

ORNAMENTAL FISH
The significant dip in the operating profit from ornamental fish by approximately $0.8 million or 21.4% from $3.8 million in FY 2010 to approximately $3.0 million in FY 2011 was mainly due to the following factors:-

- As revenue contribution from the export of ornamental fish was affected by the massive and prolonged flooding in Thailand as well as the low business activities as a result of the weakening purchasing sentiments from the European markets, the operating profit from the ornamental fish business reduced accordingly.

- The fair value of our breeder stocks as at 31 December 2011, which was determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier, was approximately $0.3 million lower than that of the previous year. This has a negative impact on the profitability of the ornamental fish business in the current financial year.

ACCESSORIES
Should the gain on disposal of our Guangzhou factory of $0.95 million be excluded, the accessories business registered a dip of approximately $1.1 million or 41.0% in operating profit in the FY 2011 as compared to FY 2010, notwithstanding relatively consistent revenue recorded. This is mainly due to lower profit margin registered resulting from our conscientious effort made to reduce our inventory level, as well as a shortfall in profit contribution from our Guangzhou factory following its disposal in the last quarter of FY 2011. The Group's accessories export business continued to turn in respectable profit margins in the current financial year.

PLASTICS
During the current financial year, despite registering consistent revenue contribution, the operating profit from the plastics activities dipped by approximately $0.2 million or 13.7% mainly due to higher raw material costs (resins) which has eroded the profit margin, as well as the difference in product mix recorded in both financial years.

UNALLOCATED CORPORATE EXPENSES
These were staff costs and administrative expenses incurred in relation to the overseeing of both the Group's local and overseas operations.

Total assets – Decreased by $1.5 million as at 31 December 2011. Decrease in property, plant & equipment and brooder stocks were due to the depreciation charge for the financial year. Decreased in inventory was as a result of the disposal of GZQH in December 2011. Previously, raw materials were purchased and stepped up in the Guangzhou factory for the production due for delivery. Decreased in cash and cash equivalents were due to the utilisation of funds for settlement of bank loans, trade payables as well as the payment of dividends to shareholders. The reduction was partially offset by the increase in trade and other receivables mainly due to the reclassification of the Group's advance payments and trade balances with a former subsidiary, GZQH, to trade and other receivables, following its disposal in December 2011.

Total liabilities – Decreased by $2.1 million as at 31 December 2011 mainly due to decrease in total bank borrowings by $0.4 million as a result of the settlement of bank borrowings from financial institutions and the prompt settlement of trade payments with cash generated from operations during the financial year, coupled with the decrease in tax liabilities due to lower profit registered by the Group.

Shareholders' funds – Increased from $62.7 million as at 31 December 2010 to $63.4 million as at 31 December 2011. The increase was attributed mainly to profit attributable to equity holders for the financial year.

Non-controlling interests – Decreased from $10.3 million as at 31 December 2010 to $10.2 million as at 31 December 2011 was due to payment of dividends to the non-controlling shareholder of a subsidiary during the financial year.

FINANCIAL POSITION

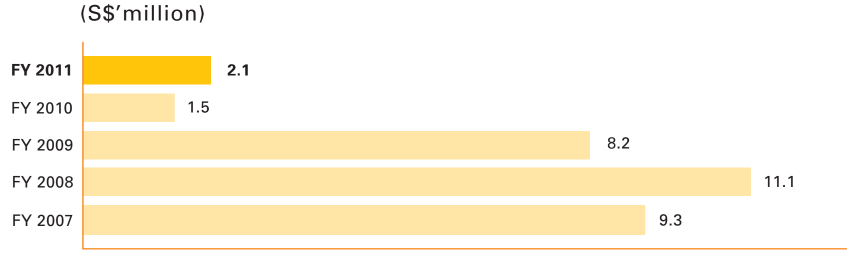
	2011 $'000	2010 $'000	Change %
Total Assets	**105,945**	**107,409**	**(1.4)**
- Property, plant and equipment	13,047	13,783	(5.3)
- Brooder stocks	28,919	30,250	(4.4)
- Inventories	20,578	25,367	(18.9)
- Trade and other receivables	31,470	21,478	46.5
- Cash and cash equivalents	8,606	11,691	(26.4)
Total Liabilities	**32,321**	**34,379**	**(6.0)**
- Trade and other payables	11,588	12,937	(10.4)
- Tax liabilities	4,755	5,048	(5.8)
- Bank borrowings	15,978	16,394	(2.5)
Total Shareholders' funds	**63,434**	**62,723**	**1.1**
Total Non-controlling interests	**10,190**	**10,307**	**(1.1)**

Capital Expenditure

In FY 2011, capital expenditure incurred was mainly for the enhancement of infrastructure and construction work undertaken for farm facilities in Singapore and overseas.

The Group does not foresee any substantial capital expenditure going forward, other than the on-going maintenance of its farm facilities.

CAPITAL EXPENDITURE
(S$'million)



CAPITAL STRUCTURE & FINANCIAL RESOURCES

The Group maintains a strong balance sheet (Statement of Financial Position) and an efficient capital structure to maximise returns 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 2011, 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 $34.7 million, of which $15.5 million was utilised.

Cash & Cash Equivalents

Overall, the Group's cash and cash equivalents decreased by approximately $3.0 million in FY 2011 to $8.7 million as compared to approximately $11.7 million a year ago.

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

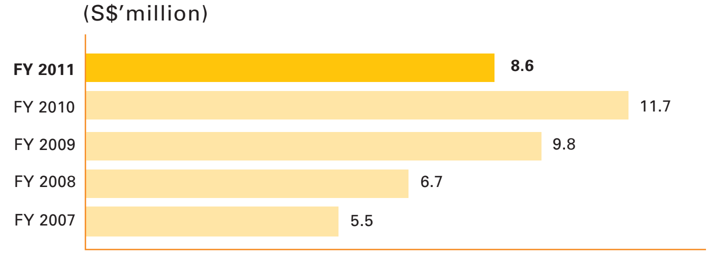
	2011 $'000	2010 $'000
Net cash from operating activities	1,653	4,057
Net cash (used in) from investing activities	(1,671)	443
Net cash used in financing activities	(3,012)	(2,708)
Net (decrease) increase in cash and cash equivalents	(3,030)	1,792
Cash and cash equivalents as at end of year	**8,606**	**11,691**

The reduction in the Group's **net cash from operating activities** in the financial year ended 31 December 2011 was mainly due to a lower operating profit registered in current financial year as compared to FY 2010 and that the profit generated has yet to be fully realised into cash. With the reclassification of advance payments and trade balances with GZQH, a former subsidiary, to trade and other receivables following its disposal in the last quarter of 2011, it has resulted in higher outstanding amounts due from customers. In addition, there were additional purchases of Dragon Fish made in anticipation of its increasing demand in the coming quarter. These purchases were settled promptly with the cash generated from operations.

Net cash used in investing activities was mainly related to capital expenditure incurred for the on-going enhancement to the infrastructure and farm facilities in Singapore and overseas.

During the current financial year, cash were utilised for the repayment of bank loans, payment of dividends to the non-controlling shareholder of a subsidiary and the settlement of finance lease liabilities on a monthly basis, as well as the servicing of interest payments. The above, coupled with the payment of final dividends to the shareholders of the Company in April 2011, resulted in **net cash used in financing activities.**

CASH AND CASH EQUIVALENTS
(S$'million)



Operating and Financial Review (cont'd)

Borrowings

The Group borrows from local and foreign banks in the form of short-term and long-term loans. All of the Group's current year borrowings are unsecured. The Group has complied with all the borrowing covenants for the financial year ended 31 December 2011.

The unsecured **short-term loans** are revolving bank loans that bear interest at rates ranging from 1.27% to 1.47% (2010: 1.31% to 1.43%) per annum and are repayable within the next 12 months from the reporting date.

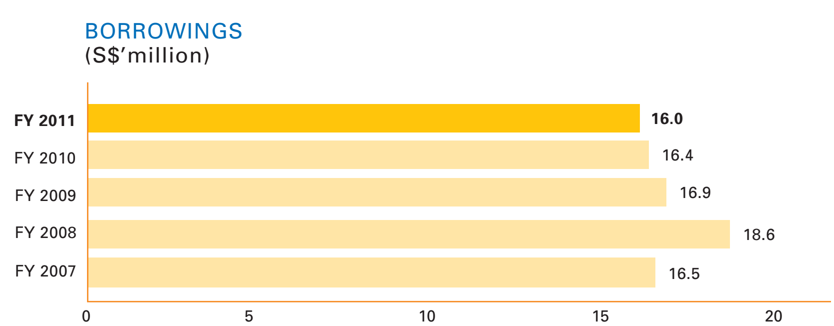
The long-term loans taken by a subsidiary, comprise:

- a 10-year unsecured bank loan of RM2.5 million, bears interest at 8.10% (2010: 7.80%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- a 5-year unsecured bank loan of RM3.0 million, bears interest at 7.60% (2010: 7.30%) per annum and is repayable in 60 monthly instalments commencing May 2009.

The Group has classified long-term bank term loans of $0.4 million (2010: $0.8 million) not scheduled for repayment within twelve months from the reporting date as current liabilities as the Group does not have the unconditional right at the reporting date to defer settlement for at least twelve months after the reporting period and these loans can be called by the bank lenders at any time even if there is no default.

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

	2011 $'000	2010 $'000
Current liabilities:		
Bills payable to banks (unsecured)	4,226	4,363
Finance lease liabilities	177	178
Short term bank loans (unsecured)	10,500	10,300
Long term bank loans (unsecured)	777	1,180
	15,680	16,021
Non-current liabilities:		
Finance lease liabilities	298	373
Total borrowings	**15,978**	**16,394**



Corporate Guarantees

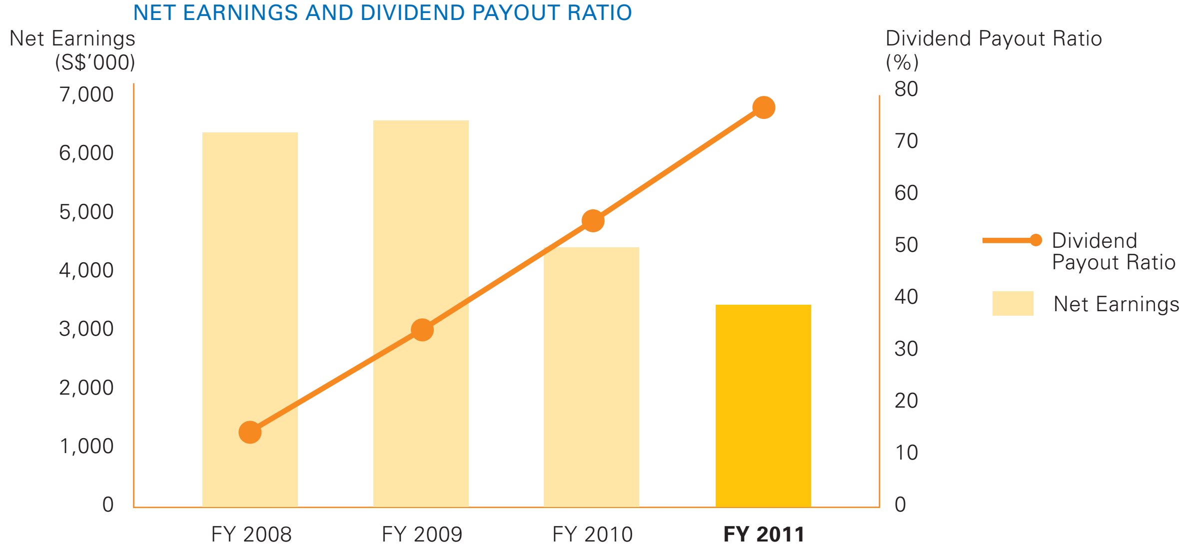
As at 31 December 2011, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $10.9 million (2010: $11.2 million), of which approximately $4.3 million (2010: $5.0 million) had been utilised.

SHAREHOLDER RETURNS

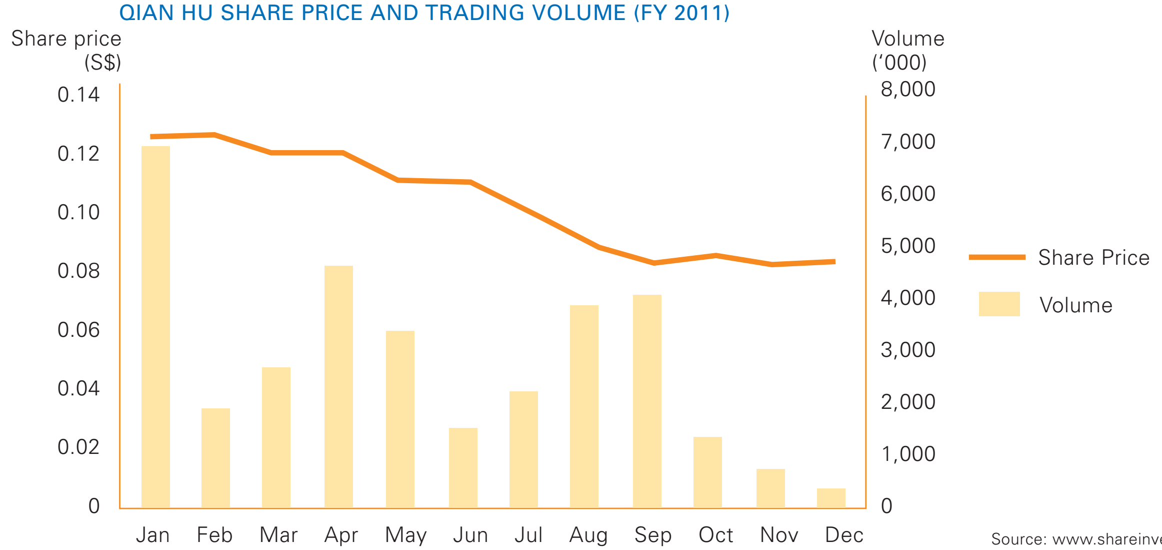
Although the Group has not set a concrete dividend policy at present, it would like to reward its loyal and supportive shareholders. Qian Hu paid a first and final cash dividend of 0.5 cents per ordinary share for the financial year 2010. For the financial year ended 31 December 2011, the Directors are pleased to declare a first and final dividend of 0.6 cents per ordinary share, paying up to approximately 79% of the net earnings in the current financial year. The proposed dividend, if approved by the shareholders of the Company at the forthcoming Annual General Meeting to be held on 15 March 2012, will be paid out on 11 April 2012. This is the highest absolute cash amount that the Group has ever declared.

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 growth. With minimal capital expenditure and investment in the foreseeable future, coupled with the cash management skill at work and the consistency in generating cash from operating activities, the Group is moving towards becoming a debt-free company with high dividend payout.

NET EARNINGS AND DIVIDEND PAYOUT RATIO



QIAN HU SHARE PRICE AND TRADING VOLUME (FY 2011)



Source: www.shareinvestor.com

RISK FACTORS & RISK MANAGEMENT

Risk management forms an integral part of business management. The Group's risk and control framework is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures. It makes management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks. The risk management and control procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

The following set out an overview of the key risks faced by Qian Hu, the nature and the extent of the Group's exposure to these risks and the approach to managing these risks.

MARKET RISK

The Group currently operates in seven countries with assets and activities spreading across the Asia Pacific. The subsidiaries and associates in these countries are exposed to changes in government regulations and unfavourable political developments, which may limit the realisation of business opportunities and investments in those countries. In addition, 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, economic and industrial developments so as to be able to anticipate or respond to any adverse changes in market conditions in a timely manner.

As at 31 December 2011, approximately 55% of the Group's assets are located overseas, while revenue from overseas' customers constitute approximately 68% of the total revenue in FY 2011. In view of the Group's growth prospects, the percentage of its overseas assets and activities will continue to increase moving forward. The effect of greater geographical diversification reduces the risk of concentration in a single operation.

OPERATIONAL RISK

Operational risk is the potential loss caused by a breakdown in internal process, deficiencies in people and management, or operational failure arising from external events. The Group strives to minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as through business continuity planning. The Group has been awarded ISO 9001:2008 certification for its local businesses as well as its overseas subsidiaries. It has also achieved ISO 14001 certification for its environmental management system to preserve natural resources and minimise wastage.

Although Qian Hu has always been viewed as a family business largely run and controlled by the Yap family, it is in fact run by a team of dedicated Qian Hu family members and professional managers, not solely by the Yap family members. Although no individual is indispensable, the loss of specialised skills and the leadership of the Executive Chairman & Managing Director, Mr Kenny Yap, and the other founding members, including the 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 program to identify and develop a team of talented employees based on their merit – family members are not given special preferences – who can take Qian Hu to the next lap of growth. 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

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds at any one point in time is uncommon. 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 the fishes. Currently, all the Group's domestic and overseas fish operations have attained ISO 9001:2008 certification, including the breeding of Dragon Fish. There is no known disease that is fatal to the Dragon Fish because of its primitive and prehistoric origin.

Although Dragon Fish sales contributed approximately 20% of the Group total revenue for the year ended 31 December 2011, it 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 solely reliant on the sale of any particular type or species of fish or accessories products. The Group is diversified in both its products and markets.

Additionally, the Group has formed a R&D team in FY 2009, focusing on research of Dragon Fish breeding behaviour, fish disease diagnosis and cure, product innovation on aquarium accessories, and new form of ornamental fish farming technology.

CLIMATE CHANGE & ENVIRONMENTAL RISK

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

INVESTMENT RISK

The Group grows businesses through organic growth of its existing activities, development of new capabilities (e.g. setting up retail chain stores) and through new ventures with business partners. Business proposals and investment activities are evaluated through the performance of due diligence exercise and where necessary, supported by external professional advice. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.

FOREIGN EXCHANGE RISK

The foreign exchange risk of 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 monitor the exchange rates of major currencies and enter into hedging contracts with banks from time to time whenever the management detects any movements in the respective exchange rates which may impact the Group's profitability.

Foreign currencies received are kept in foreign currencies accounts and are converted to the respective measurement currencies of the Group's 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 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% of its revenue and purchases. It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. Cash terms, advance payments are required for its 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. The Group is progressively improving its debt position and it aims to move towards becoming a debt-free company will also address this risk.

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. Over the years, the Group has enhanced its ability to generate cash from operating activities. Accordingly, the Group envisages that its cash position will continue to improve, hence reducing liquidity risk.

DERIVATIVE FINANCIAL INSTRUMENT RISK

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

Investor Relations

Corporate transparency, consistency and openness are the values that we hold very dearly in our communications to our stakeholders and are at the very core of our investor relations commitment. Our Executive Chairman and Managing Director, Mr Kenny Yap, continues to drive the Group's investor relations efforts and engage investors on a regular basis.

Since our listing in 2000, we have been engaging analysts, fund managers, the media and a small group of forum participants from Shareinvestor.com twice yearly at our half-year and full-year results briefings. Understanding the importance of such meetings to give the investment community a deeper understanding of our business and industry, our senior management team – led by Executive Chairman, Deputy Managing Directors and Finance Director – is present to provide business update and industry outlook. For those who are unable to attend the results briefings in person, they have the option to listen in through the live audio-cast and post questions online in real-time, or watch the events through recorded video webcasts at their own leisure.

We also engage the investing community online via the Q&A online forum, which is conducted every quarter after our results release. Qian Hu was, in fact, the first listed company to offer this form of online dialogue and we have been using this platform regularly since 2001.

Since 2005, we have been compiling information kits given out at our year-end results briefings. From our knowledge, we are probably the only company to have a Chairman's Statement, press releases, presentation slides, Financial Statements and Factsheet spiral bound in one colourful "mini annual report" given out each year. We interface with retail investors through our website www.qianhu.com which is updated regularly so that the investing public and shareholders can get the latest announcements, news releases and financial results.

We have actively engaged the investment community through analyst visits to our farm, as well as regular roadshows to the various securities firms in Singapore. Our goal is to grow our business and market capitalisation to a point that will attract more institutional interest and equity research coverage.

The Annual General Meeting is also another important platform for shareholder communications. Our 12th AGM held on 11 March 2011, was attended by 49 shareholders and proxies. The Board of Directors and senior management were present to answer shareholders' queries as well as to listen to their feedback. Qian Hu is the first listed company to record the questions and comments of our shareholders, along with answers from the Management at our annual general meetings, and making the detailed minutes available on both the SGX and the Company's website after the meeting.

AWARDS & ACCOLADES

Committed to the best practices in corporate transparency and governance, Qian Hu has been recognised for our efforts by our winning awards such as the Most Transparent Company from the Securities Investors Association (Singapore) since 2001.

In 2010, Qian Hu was the first SME to receive the Gold award for having the Best Managed Board at the Singapore Corporate Awards. In 2009, it was the first company in the history of the Singapore Corporate Awards to bag four awards in the same year, namely, Best Managed Board (Merit); Chief Financial Officer of the Year; Best Investor Relations (Bronze) and Best Annual Report (Gold), amongst listed companies with less than $300 million in market capitalisation.

During the year in review, Qian Hu received the Gold award for Best Investor Relations (companies with less than S$300 million in market capitalisation category) at the Singapore Corporate Awards 2011.

People Development

Being a service-oriented company, Qian Hu sees our people as a critically important asset, and continues to engage in developing our staff to their fullest potential, thereby nurturing a competent workforce that is able to contribute effectively to Qian Hu's growth.

OUR HUMAN RESOURCE PHILOSOPHY

People Excellence, Customer Focus, Quality Excellence and Financial Strength, are the four strategic values that Qian Hu has been committed to all these years. These strategic values form the essence of what Qian Hu focuses on, and help steer our core operations.

Winner of Singapore's coveted People Developer Standard Award in 2006 and the People Excellence Award in 2009, Qian Hu remains committed to developing excellence in our people, through staff development and human resource management.

As at 31 December 2011, the Group has 550 employees, of which 144 are base at our headquarters in Singapore, while the remaining 406 are from our local and overseas subsidiaries in Malaysia, Thailand, China and Indonesia. Of our total workforce, 13% have been with us for more than 10 years and 25% for between 5 to 10 years.

We believe that our track record of retaining our staff is attributable to our unique "People First" corporate culture which seeks to integrate everyone into the extended Qian Hu family.

Teamwork, entrepreneurship are deeply entrenched in our corporate culture and we believe our emphasis on these tenets will continue to nurture a competent workforce. All members are encouraged to converge fun and creative thinking in our daily lives, not limited to just the workplace but outside of work as well.

STAFF COMMUNICATIONS

To keep our staff informed of the Group's developments, we publish bi-annual in-house newsletters "FISH MATRIX" which are disseminated via hard copies and made available on our website as well. All divisional senior managers also hold regular briefings to ensure that important and inspiring messages are personally delivered and emphasised.

TRAINING

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

People Development (cont'd)

FEEDBACK PLATFORMS

Qian Hu takes a holistic approach in assessing the performance of the organisation as a whole, which also serves as a gateway to building stronger working relationships across all levels. Appraisal tools are used to assess the effectiveness of our senior managers in terms of their leadership and personal involvement in maintaining an innovative, customer-focused and people-centric environment. An Employees Opinion Survey is also used to provide feedback, thus enabling the senior management team to gain awareness on how others perceive their behaviour and performance as a leader.

To assess the effectiveness of the senior managers' quality improvement efforts, we conduct a qualitative study on the major fish exporters and pet chain stores across the country, as well as in-depth interviews with our key customers and business partners on an annual basis. These findings are organised into a checklist to evaluate the effectiveness of the managers' efforts.

QIAN HU'S SUCCESSION PLANNING

Succession planning is an essential process for maintaining growth momentum and business continuity, no matter how certain the future holds. 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. Modelling the succession planning policies in some of the larger organisations, Qian Hu has put in place a structured succession planning programme as early as 2004. This is because we recognise that it would take some 10 to 15 years for the next generation to garner sufficient experience to take over the leadership of the Group.

We are not looking for a single talent, but rather a cohesive team that will take Qian Hu to the next lap of growth. We have identified a team who has the potential to be Qian Hu's future leaders, and out of this group, one will be chosen to be the next CEO. This decision will be based on assessments from the Board's nominating committee; peer appraisals, individual track record and performance. Performance recognition at Qian Hu has always been, and will continue to be, based on merit. It is our company policy that family members will not be given any special preferences.

The person whom we are grooming to be Qian Hu's future CEO must embrace our corporate culture and values wholeheartedly. The new CEO must be able to put the interest of the company before personal interest, be able to handle stress, and yet be hungry and ambitious. This is necessary because the Group must not rest on its laurels but continue to progress and evolve. With the current senior management as their mentors, all of our management trainees are rotated to handle different portfolios. Those who are capable must be able to take on overseas assignments and be able to reliably perform in challenging environments.

EMPLOYEE PROFILE

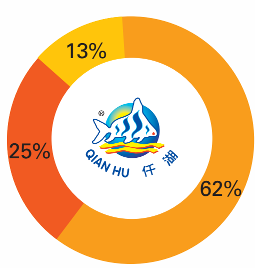
Qian Hu has 144 employees based at our Singapore headquarters and a total workforce of 550 employees including those in its local and overseas subsidiaries.

Employee Statistics

Level	No. of Staff
Key Management	48
Middle and Junior Management	158
Administration and Clerical	344
Total	**550**

Statistics on Length of Service

Year of Service	No. of Staff
Less than 5 years	341
Between 5 to 10 years	136
More than 10 years	73
Total	**550**



Length of Service

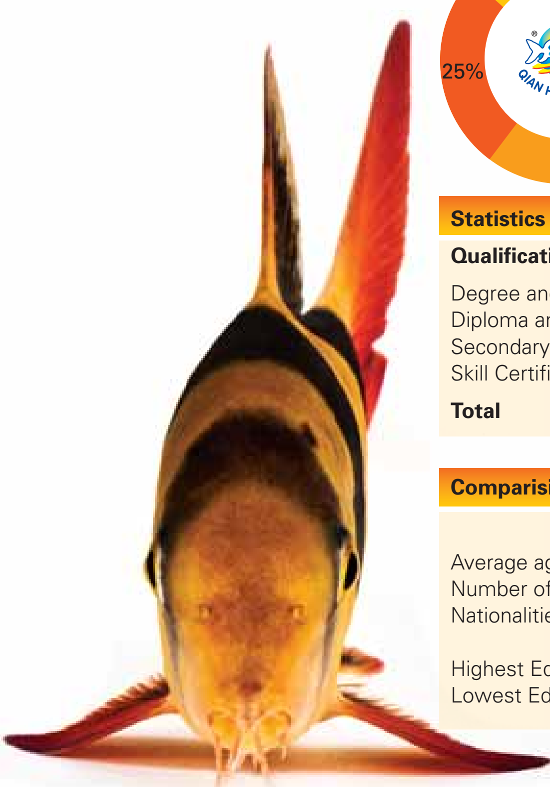
Less than 5 years | Between 5 to 10 years | More than 10 years

Statistics on Education Qualification

Qualification	No. of Staff
Degree and above	107
Diploma and equivalent	91
Secondary and below	332
Skill Certificate	20
Total	**550**

Comparision of our current senior management team and our succession team

	Current Management Team	Succession Team
Average age	48	30
Number of team members	14	22
Nationalities	Mostly Singaporeans	Singaporeans, Thais, Malaysians
Highest Education Level	MBA	PHD
Lowest Education Level	Primary 6	Diploma



Sustainability Report

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

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

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

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

EMPLOYEE RELATIONS

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

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

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

Staff Dialogue

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

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

Health and Safety at Work

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

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

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

Development and Training in the Workplace

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

Diversity and Equal Opportunity

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

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

ETHICS AND INTEGRITY

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

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

ENVIRONMENT MANAGEMENT

Preserving the environment is necessary for the long-term sustainability of our business, the coexistence of which is intertwined. While creating value in our business, we aim to minimise the impact that our activities have on the environment and proactively seek alternative means for more effective and sustainable use of resources. Since 1998, Qian Hu has been complying with the regulatory requirements of the ISO14001-certified Environmental Management System where we strive to preserve and recycle our natural and reusable resources in our daily activities of fish breeding, nurturing, retailing, trading and export.

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

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

Water and Energy Management

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

Biodiversity

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

Recycling and Waste Management

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

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

Other Green Initiatives

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

COMMUNITY INVOLVEMENT AND DEVELOPMENT

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

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

PRODUCT RESPONSIBILITY

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

Quality Management

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

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

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

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

Innovation

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

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

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

Awards & Accolades

2001

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Winner in SESDAQ & Small Caps (up to $100 million) category

2002

Business Times' Corporate Transparency Index (CTI) – 1st Position

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Winner in SESDAQ & Small Caps (up to $100 million) category

2003

Best Managed Board Award – Special Mention

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Winner in Services/Utilities/ Agriculture category & Golden Circle Special Merit Award

2004

Business Times' Corporate Transparency Index (CTI) – 1st Position

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps (up to $100 million) category & Runner-up in Services/ Utilities/ Agriculture category

Singapore Quality Award – Awarded by Spring Singapore

2005

Business Times' Corporate Transparency Index (CTI) – 1st Position

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Runner-up in Mainboard Small Caps (up to $100 million) category

2006

Business Times' Corporate Transparency Index (CTI) – 1st Position

Singapore Corporate Awards – Best Annual Report Award (Gold – Companies with less than $500 million in market capitalisation)

Best Investor Relations Award (Gold – Companies with less than $500 million in market capitalisation)

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Runner-up in Mainboard Small Caps (up to $100 million) category

People Developer Standard – Awarded by Spring Singapore

2007

Business Times' Corporate Transparency Index (CTI) – 1st Position

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

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

Best Corporate Governance (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)

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

2008

Business Times' Corporate Transparency Index (CTI) – 1st Position

Singapore Corporate Awards – Best Managed Board Award (Merit – Companies with less than $500 million in market capitalisation)

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

SQC Innovation Class – Awarded by Spring Singapore

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

2009

Singapore Corporate Awards – Chief Financial Officer of The Year - Ms Lai Chin Yee (Companies with less than $300 million in market capitalisation)

Best Managed Board Award (Merit – Companies with less than $300 million in market capitalisation)

Best Annual Report Award (Gold – Companies with less than $300 million in market capitalisation)

Best Investor Relations Award (Bronze – Companies with less than $300 million in market capitalisation)

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

Singapore Quality Award – Awarded by Spring Singapore

2010

Singapore Corporate Awards – Best Managed Board Award (Gold – Companies with less than $300 million in market capitalisation)

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

2011

Singapore Corporate Awards – Best Investors Relations Award (Gold – Companies with less than $300 million in market capitalisation)

SIAS Most Transparent Company Award – Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

Global Performance Excellence Award – Awarded by Asia Pacific Quality Organisation - Best in Class 2011 (Small Service Organisation)

Financial Calendar

2011

12 January
FY 2010 Full year results announcement
(with media and analysts briefing)

11 March
Annual General Meeting

8 April
Payment of dividend

18 April
1Q 2011 results announcement

18 July
2Q 2011 results announcement
(with media and analysts briefing)

17 October
3Q 2011 results announcement

2012

11 January
FY 2011 Full year results announcement
(with media and analysts briefing)

15 March
Annual General Meeting

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

18 April
1Q 2012 results announcement

18 July
2Q 2012 results announcement
(with media and analysts briefing)

17 October
3Q 2012 results announcement

This Annual Report is printed on environmentally friendly paper

Corporate Governance Report

The Board of Directors (the "Board") 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 2011, 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: *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 long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board's role is to: • guide the formulation of the Group's overall long-term strategic plans and performance objectives as well as operational initiatives; • 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 disposal 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 is obliged to act in good faith and consider 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 the Board in the execution of its responsibilities, various Board Committees, namely the Executive Committee, Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC") have been constituted with clearly defined terms of reference. These terms of reference are reviewed on a regular basis to ensure their continued relevance. 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 schedule of all the Board Committee meetings for the calendar year is usually given to all the directors well in advance. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. 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. The Board and Board Committees may also make decisions through circulating resolutions. 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.	All new directors undergo comprehensive orientation programme to provide them with extensive background information about the Group's structure 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.
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.	The Board as a whole is updated regularly on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board Committee members.
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, among other matters, their roles, obligations, duties and responsibilities as members of the Board.
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 attend appropriate courses, conferences and seminars for them to stay abreast of relevant business developments and outlook. These 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 Committees.
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 NC. Each independent director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. With three of the directors deemed to be independent, including independence from the substantial shareholders of the Company, the Board is able to exercise independent and objective judgment on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its shareholders. No individual or small group of individuals dominate the Board's decision making.
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 believes that its current board size and composition effectively serves the Group. It provides sufficient diversity without interfering with efficient decision-making.
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 NC is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each director has been appointed 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, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Guidelines of the Code	Qian Hu Corporate Governance practices
2.6 Non-executive directors are encouraged to meet regularly without management present in order to facilitate a more effective check on management.	Where necessary, the Company co-ordinates informal meeting sessions 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 interests of the Group to adopt a single leadership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC, NC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements and 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 Secretary, 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 drive to achieve and maintain a high standard of corporate governance practices.

Guidelines of the Code	Qian Hu Corporate Governance practices
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 lead independent director should be available to shareholders where they have concerns which contact through the normal channels of the Chairman, CEO or Finance Director has failed to resolve or for which such contact is inappropriate.	Following the retirement of Mr Robson Lee Teck Leng in September 2011, the Board has appointed Mr Tan Tow Ee as the lead independent non-executive director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO or Finance Director has failed to resolve or for which such contact is inappropriate.

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, among other things, to make recommendations to the Board on all Board appointments and oversee the Company's succession plans. (more details are set out in the "Qian Hu's succession planning" section on page 50 of this Annual Report) Please refer to Table 1 – Board and Board Committees – on the composition of the NC.

Guidelines of the Code	Qian Hu Corporate Governance practices
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 also includes the responsibility of reviewing the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC. 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 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. The Board recognises the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide valuable contributions to the Group. As such, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of the directors as necessary.
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.	A director who has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment in the best interests of the Company, is considered to be independent. The NC conducts an annual review of directors' independence and is of the view that Mr Tan Tow Ee, Mr Chang Weng Leong and Ms Sharon Yeoh Kar Choo 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.	All directors are required to declare their board representations. The NC has reviewed and is satisfied that Ms Lai Chin Yee, who sits on multiple boards, has been able to devote sufficient time and attention to the affairs of the Company to adequately discharge her duties as director of the Company, notwithstanding her multiple board appointments. None of the directors hold more than four directorships in listed companies concurrently.

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.	When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new director. The NC then meets with the shortlisted potential candidates with the appropriate profile before nominating the most suitable candidate to the Board for appointment as director.
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 20 and 21 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 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 decisions to be made. The NC has established a review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual directors to the effectiveness of the Board. During the financial year, all directors are requested to complete a Board Evaluation Questionnaire designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The responses are reviewed by the NC before submitting to the Board for discussing and determining areas for improvement and enhancement of the Board effectiveness. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each director is contributing to the overall effectiveness of the Board. Individual director's performance is evaluated annually and informally on a continual basis by the NC and the Chairman. The criteria taken into consideration by the NC and the Chairman include the value of contribution to the development of strategy, the degree of preparedness, industry and business knowledge and experience each director posses which are crucial to the Group's business.
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.	Please refer to Guideline 5.1 above.
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.

Guidelines of the Code		Qian Hu Corporate Governance practices
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 a director, when it happens, does not necessarily reflect the director's performance or contributions to the Board, 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, whose role is seen to be more in formulating, rather than executing, strategies and policies.

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 fulfill 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 normally circulated five days in advance of each meeting. This is to give directors sufficient time to review and consider the matters to be discussed so that discussion can be more meaningful and productive. 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 and Board Committees meetings. Such explanatory information may also be in the form of briefings to provide additional insights to the directors or formal presentations made by senior management staff in attendance at the meetings, or by external consultants engaged on specific projects. The Board has separate and independent access to the Company Secretary and to other senior management executives of the 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 forecasts variances to enable them to oversee the Group's operational and financial performance. Directors are also informed of any significant developments or events relating to the Group.
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.	The Company Secretary attends all Board and Board Committee meetings of the Company. She is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes.
6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole.	The appointment and the removal of the Company Secretary are subject to the Board's approval.
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 collectively, require independent professional advice in furtherance of their duties, the Company Secretary will assist in appointing a professional advisor to render the advice and keep the Board informed of such advice. The cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and 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 Committees – 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 that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining 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 progression policies. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, 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 appropriate 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 than is necessary 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 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 level of contributions, taking into account factors such as effort and time spent, as well as the responsibilities and obligations of the directors. The Company recognises the need to pay competitive fees to attract, motivate and retain directors without being excessive and thereby maximise shareholder value. Directors' fees are recommended by the Board for approval at the Company's AGM.
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.	Executive directors do not receive directors' fees but are remunerated as members of Management. Their remuneration package 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 for executive directors, are for a fixed appointment period and do not contain onerous removal clauses.

Guidelines of the Code		Qian Hu Corporate Governance practices
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 Company has no employee share option scheme or any long-term incentive scheme in place.
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 the individuals.
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 top 5 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 – Remuneration of Directors and top 5 key executives.
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 exceeds S$150,000 during the year.	Please refer to Table 4 – Remuneration of Directors and top 5 key executives.
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.	The Company has no employee share option scheme or any long-term incentive scheme in place.

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).	In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with 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 with 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 Committees – on the composition of the AC.
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, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

Guidelines of the Code	Qian Hu Corporate Governance practices
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 always 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 judgments 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. In the process, the AC reviews the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the financials.
(c) reviewing the adequacy of the company's internal controls;	The AC evaluates the adequacy and effectiveness of the internal control and regulatory compliance of the Company through discussion with 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 auditor and the external auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.
11.6 The AC should review the independence of the external auditors annually.	The AC undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit services provided and the fees paid to them. During the current financial year, there was no non-audit related work carried out by the external auditors, hence there was no fee paid in this respect. The AC is satisfied with their independence; hence has recommended the re-appointment of the external auditors at the AGM of the Company. The fees payable to auditors is set out on page 125 of this Annual Report.

Guidelines of the Code	Qian Hu Corporate Governance practices
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 established a **Code of Conduct and Business Ethics** that sets the principles of the code of conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc. Directors, key executives and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and the law and regulations of the countries in which it operates. Nonetheless, the Company has put in place a **whistle-blowing** framework, endorsed by the AC, which provides the mechanisms where employees of the Company may, in good faith and in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to Mr Chang Weng Leong, Chairman of the RC. Details of the whistle-blowing policies and arrangements have been made available to all employees. It has a well defined process which ensures independent investigation of such matters and appropriate follow-up action, and provides assurance that employees will be protected from reprisal within the limits of the law.
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 Committees – 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 conducted annual review of the effectiveness of the Group's key internal controls, including financial, operational & compliance controls and risk management. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, the AC, together with the Board, reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational and compliance risks affecting the operations. Based on the reports submitted by the external and internal auditors and the various management controls put in place, the Board with the concurrence of the AC is satisfied that the internal control systems provide reasonable assurance that assets are safeguarded and that proper accounting records are maintained and financial statements are reliable.
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 in the "Operating and Financial Review" section on pages 34 to 45 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 Company's internal audit function is serviced in-house. The internal auditor's functional reporting line is to the Chairman of the AC. Administratively, the internal auditor reports to the CEO
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 Certified Internal Auditor and the audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing pronounced by The Institute of Internal Auditors.
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 to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the internal auditor is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.
13.4 The AC should, at least annually, ensure the adequacy of the internal audit function.	The internal audit function plans 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 work. In addition, the internal auditor may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns. 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 simultaneously in an accurate and 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, fair and transparent manner. Shareholders are provided with quarterly and annual financial reports within 18 days of the quarter end and within 14 days of the financial year end respectively. The Company notifies the investors' public in advance of the date of release of its financial results through a SGXNET announcement. Joint briefings for media and analysts are held in conjunction with the release of the Company's half-year and full year results, with the presence of the CEO, Finance Director and the executive directors to answer the relevant questions which the media and analysts may have. The Company does not practice selective disclosure of material information. All materials on the quarterly, half-yearly and full year financial results and the audio casts of the half-yearly and full year results briefing for media and analysts are available on the Company's website – www.qianhu.com. The website also contains various others investor-related information on the Company which serves as an important resource for investors.

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.	Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the Business Times and posted onto the SGXNET. If shareholders are unable to attend the meeting, the Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting. To have total transparency in the voting process, since the AGM held two years ago, the Company conducts the voting of all its resolutions by poll at the AGM. The detailed voting results of each of the resolutions tabled at the AGM are announced immediately at the meeting. The total numbers of votes cast for or against the resolutions are also announced after the meeting via SGXNET. The Board has also lowered its share issue mandate by reducing the limit for non-pro rata shares issues from 20% of the total number of issued shares in the capital of the Company to 15% of the total number of issued shares in the capital of the Company so as to protect shareholders against dilution.
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.	Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.
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, KPMG LLP, 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.

Guidelines of the Code	Qian Hu Corporate Governance practices
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, the Articles of Association of the Company 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 pertaining to the proposed resolutions and/or ask the directors or the Management questions regarding the Company and its operations. Since FY 2003, the Board has developed several channels, which include the Group's website, email or fax, for shareholders who are not able to attend the AGM to contribute their feedback and inputs. Detailed AGM minutes, which include comments and the questions received, together with the responses to them from the Board and the Management, are publicly available on both the SGX website (www.sgx.com) and the Company's website after the meeting.

DEALING IN SECURITIES

The Group has in place an internal code of conduct which prohibits the directors, key executives of the Group and their connected persons from dealing in the Company's shares during the "black-out" period – being 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, key executives and connected persons 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.

All directors are required to seek Board's approval before trading in the Company's shares.

INTERESTED PERSON TRANSACTIONS

Disclosure of interested person transactions is set out on page 129 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 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	–	–	–
Tan Tow Ee *	Non-executive/Independent	–	Chairman	Member	Member
Chang Weng Leong	Non-executive/Independent	–	Member	Member	Chairman
Sharon Yeoh Kar Choo ** (appointed on 17 September 2011)	Non-executive/Independent	–	Member	Chairman	Member
Robson Lee Teck Leng *** (retired on 17 September 2011)	Non-executive/Independent	–	–	–	–

* *Mr Tan Tow Ee ceased to be the Chairman of the Nominating Committee and assumed the role of the Chairman of the Audit Committee on 17 September 2011. He remained as a member of the Nominating and Remuneration Committees.*

** *Ms Sharon Yeoh Kar Choo was appointed to the Board on 17 September 2011 as a Non-executive/Independent director of the Company. She assumed the role of the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.*

*** *Mr Robson Lee Teck Leng retired as a Non-executive/Independent director of the Company on 17 September 2011 and accordingly, relinquished his position as the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees.*

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*	1*	1*
Alvin Yap Ah Seng	4	12	4*	–	–
Andy Yap Ah Siong	4	12	4*	–	–
Lai Chin Yee	4	12	4*	1*	1*
Tan Tow Ee	4	–	4	1	2
Chang Weng Leong	4	–	4	1	2
Sharon Yeoh Kar Choo (appointed on 17 September 2011)	1	–	1	–	1
Robson Lee Teck Leng (retired on 17 September 2011)	3	–	3	1	1

* *attendance by invitation of the Committee.*

TABLE 3 – DATE OF DIRECTORS' INITIAL APPOINTMENT & LAST RE-ELECTION & THEIR DIRECTORSHIPS

Name of Director	Age	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past directorships in listed companies
Kenny Yap Kim Lee	46	12 December 1998	11 March 2011	Qian Hu Corporation Limited	–
Alvin Yap Ah Seng	46	12 December 1998	11 March 2009	Qian Hu Corporation Limited	–
Andy Yap Ah Siong	45	12 December 1998	16 March 2010	Qian Hu Corporation Limited	–
Lai Chin Yee	46	1 November 2004	16 March 2010	Qian Hu Corporation Limited China Sports International Limited Ryobi Kiso Holdings Ltd CCM Group Limited	–
Tan Tow Ee	49	1 May 2002	11 March 2011	Qian Hu Corporation Limited	–
Chang Weng Leong	49	18 October 2000	16 March 2010	Qian Hu Corporation Limited	–
Sharon Yeoh Kar Choo (appointed on 17 September 2011)	53	17 September 2011	Not applicable	Qian Hu Corporation Limited	–

According to Article 89 of the Company's Articles of Association, Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong will retire at the Company's forthcoming AGM and be eligible for re-election.

In addition, according to Article 88 of the Company's Articles of Association, Ms Sharon Yeoh Kar Choo, being newly appointed as a director during the financial year, 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 86 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

TABLE 4 – REMUNERATION OF DIRECTORS AND TOP 5 KEY EXECUTIVES

The breakdown of the total remuneration of the Directors of the Company for the year ended 31 December 2011 is set out below:

Name of Director	Salary $	Bonus $	Director's fees $	Total remuneration $
Kenny Yap Kim Lee	296,738	30,000	-	326,738
Alvin Yap Ah Seng	260,738	30,000	-	290,738
Andy Yap Ah Siong	260,738	30,000	-	290,738
Lai Chin Yee	253,538	50,000	-	303,538
Tan Tow Ee	-	-	25,000	25,000
Chang Weng Leong			25,000	25,000
Sharon Yeoh Kar Choo *	-	-	7,300	7,300
Robson Lee Teck Leng **	-	-	17,700	17,700
	1,071,752	140,000	75,000	1,286,752

* *Sharon Yeoh Kar Choo was appointed to the Board as Non-executive/Independent director on 17 September 2011.*
** *Robson Lee Teck Leng retired as Non-executive/Independent director of the Company with effect from 17 September 2011.*

- *The salary and bonus amounts shown are inclusive of Central Provident Fund contributions.*
- *The Company has no employee share option scheme in place.*
- *The director's fees are subject to shareholders' approval at the Annual General Meeting.*

The breakdown of total remuneration of the top 5 key executives of the Group (who are not directors) for the year ended 31 December 2011 is set out below:

Name of Director	Salary $	Bonus $	Allowances & benefits $	Total remuneration $
Jimmy Tan Boon Kim	176,738	33,733	-	210,471
Yap Kim Choon *	186,498	22,400	-	208,898
Lee Kim Hwat	166,918	26,160	-	193,078
Alex Chang Kuok Weai	146,738	17,400	-	164,138
Goh Siak Ngan	138,000	22,800	-	160,800

* *Mr Yap Kim Choon is the brother of Mr Kenny Yap Kim Lee, the Executive Chairman & CEO and cousin of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the executive directors.*

- *The salary and bonus amounts shown are inclusive of Central Provident Fund contributions.*
- *The Company has no employee share option scheme in place.*

Index to 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 2011.

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
Tan Tow Ee
Chang Weng Leong
Sharon Yeoh Kar Choo (Appointed on 17 September 2011)

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		
	1/1/2011**	31/12/2011	11/1/2012	1/1/2011**	31/12/2011	11/1/2012
The Company						
Ordinary shares						
Kenny Yap Kim Lee	13,700,000	14,000,000	14,000,000	–	–	–
Alvin Yap Ah Seng	15,804,552	15,804,552	15,804,552	–	–	–
Andy Yap Ah Siong	15,700,000	15,700,000	15,700,000	–	–	–
Lai Chin Yee	321,400	321,400	321,400	–	–	–
Chang Weng Leong	138,600	138,600	138,600	–	–	–
Tan Tow Ee	200,000	200,000	200,000	–	–	–

** *At 01/01/2011 or date of appointment.*

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 of the financial year, 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 11 January 2012, 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.

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 20 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.

Directors' interests (cont'd)

As at the end of the financial year, no 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.

No warrants or options to take up unissued shares of the Company or its subsidiaries were outstanding as at the end of the financial year.

Audit committee

At the date of this report, the Audit Committee comprises the following members, all of whom are non-executive and independent:

- Tan Tow Ee (Chairman of the Audit Committee)
- Chang Weng Leong
- Sharon Yeoh Kar Choo (appointed on 17 September 2011)

Robson Lee Teck Leng, who served during the financial year, retired as director and the Chairman of the Audit Committee on 17 September 2011.

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

11 January 2012

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 90 to 138 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 2011 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

11 January 2012

Independent Auditors' Report

Members of the Company
Qian Hu Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2011, the income statements and statements of comprehensive income and changes in equity of the Group and the Company, and the statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 90 to 138.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, income statement and statements of comprehensive income and 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 2011 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
11 January 2012

Statements of Financial Position

As at 31 December 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Non-current assets					
Property, plant and equipment	3	13,046,754	13,783,353	5,604,163	5,872,096
Biological assets	4	28,918,645	30,249,743	2,981,922	3,050,422
Intangible assets	5	2,257,804	2,308,668	343,048	343,048
Subsidiaries	6	–	–	10,601,547	12,012,586
Associates	7	1,006,594	1,103,239	1,215,200	1,215,200
		45,229,797	47,445,003	20,745,880	22,493,352
Current assets					
Biological assets	4	992,534	1,283,395	400,390	426,195
Inventories	8	19,585,776	24,083,701	6,884,221	6,801,252
Trade and other receivables	9	31,530,983	22,905,982	35,237,335	31,754,972
Cash and cash equivalents	10	8,605,551	11,690,547	4,073,417	6,103,306
		60,714,844	59,963,625	46,595,363	45,085,725
Total assets		105,944,641	107,408,628	67,341,243	67,579,077
Equity attributable to equity holders of the Company					
Share capital	11	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	12	32,660,659	31,950,533	16,355,718	17,217,641
		63,433,447	62,723,321	47,128,506	47,990,429
Non-controlling interests		10,190,157	10,306,875	–	–
Total equity		73,623,604	73,030,196	47,128,506	47,990,429
Non-current liabilities					
Financial liabilities	13	297,712	372,818	135,232	114,626
Deferred tax liabilities	14	4,200,213	4,329,093	556,595	556,595
		4,497,925	4,701,911	691,827	671,221
Current liabilities					
Trade and other payables	15	11,587,831	12,936,863	7,939,117	7,673,272
Financial liabilities	13	15,680,534	16,020,985	11,312,993	10,929,990
Current tax payable		554,747	718,673	268,800	314,165
		27,823,112	29,676,521	19,520,910	18,917,427
Total liabilities		32,321,037	34,378,432	20,212,737	19,588,648
Total equity and liabilities		105,944,641	107,408,628	67,341,243	67,579,077

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

Income Statements

Year ended 31 December 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Revenue	16	88,341,351	91,163,006	48,349,468	47,733,411
Cost of sales		(61,041,733)	(61,915,915)	(34,379,140)	(33,259,115)
Gross profit		27,299,618	29,247,091	13,970,328	14,474,296
Other income (expense)		1,165,518	114,464	(374,160)	1,327,349
Selling and distribution expenses		(1,611,018)	(1,585,368)	(620,391)	(796,364)
General and administrative expenses		(22,209,638)	(21,913,916)	(11,343,146)	(11,232,140)
Results from operating activities		4,644,480	5,862,271	1,632,631	3,773,141
Finance income		13,419	4,523	946	913
Finance expenses		(410,157)	(500,316)	(175,222)	(187,026)
Net finance expenses	17	(396,738)	(495,793)	(174,276)	(186,113)
Share of losses of associates, net of income tax		(96,645)	(67,490)	–	–
Profit before income tax	18	4,151,097	5,298,988	1,458,355	3,587,028
Income tax expense	19	(550,116)	(781,830)	(49,746)	(290,866)
Profit for the year		3,600,981	4,517,158	1,408,609	3,296,162
Attributable to:					
Equity holders of the Company		3,465,630	4,209,083	1,408,609	3,296,162
Non-controlling interests		135,351	308,075	–	–
Profit for the year		3,600,981	4,517,158	1,408,609	3,296,162
Earnings per share (cents)	21				
Basic		0.76	0.94		
Diluted		0.76	0.93		

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

Statements of Comprehensive Income

Year ended 31 December 2011

	Note	Group		Company	
		2011	2010	2011	2010
		$	$	$	$
Profit for the year		3,600,981	4,517,158	1,408,609	3,296,162
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries, net of tax	19	(536,881)	624,087	–	–
Other comprehensive income for the year, net of tax		(536,881)	624,087	–	–
Total comprehensive income for the year		3,064,100	5,141,245	1,408,609	3,296,162
Attributable to:					
Equity holders of the Company		2,980,658	4,620,915	1,408,609	3,296,162
Non-controlling interests		83,442	520,330	–	–
Total comprehensive income for the year		3,064,100	5,141,245	1,408,609	3,296,162

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

Statement of Changes in Equity

Year ended 31 December 2011

Group	Note	Share capital $	Currency translation reserve $	Accumulated profits $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 1 January 2010		29,654,922	(1,471,073)	31,042,392	59,226,241	9,993,905	69,220,146
Total comprehensive income for the year							
Profit for the year		–	–	4,209,083	4,209,083	308,075	4,517,158
Other comprehensive income							
Translation differences relating to financial statements of foreign subsidiaries, net of tax		–	411,832	–	411,832	212,255	624,087
Total other comprehensive income		–	411,832	–	411,832	212,255	624,087
Total comprehensive income for the year		–	411,832	4,209,083	4,620,915	520,330	5,141,245
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Issue of shares							
– Exercise of warrants issued	11	1,117,866	–	–	1,117,866	–	1,117,866
Dividends to equity holders		–	–	(2,241,701)	(2,241,701)	–	(2,241,701)
Dividends to non-controlling shareholder of a subsidiary		–	–	–	–	(207,360)	(207,360)
Total transactions with owners of the Company		1,117,866	–	(2,241,701)	(1,123,835)	(207,360)	(1,331,195)
At 31 December 2010		30,772,788	(1,059,241)	33,009,774	62,723,321	10,306,875	73,030,196

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

Group	Note	Share capital $	Currency translation reserve $	Accumulated profits $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 1 January 2011		30,772,788	(1,059,241)	33,009,774	62,723,321	10,306,875	73,030,196
Total comprehensive income for the year							
Profit for the year		–	–	3,465,630	3,465,630	135,351	3,600,981
Other comprehensive income							
Translation differences relating to financial statements of foreign subsidiaries, net of tax		–	(484,972)	–	(484,972)	(51,909)	(536,881)
Total other comprehensive income		–	(484,972)	–	(484,972)	(51,909)	(536,881)
Total comprehensive income for the year		–	(484,972)	3,465,630	2,980,658	83,442	3,064,100
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Dividends to equity holders		–	–	(2,270,532)	(2,270,532)	–	(2,270,532)
Dividends to non-controlling shareholder of a subsidiary		–	–	–	–	(200,160)	(200,160)
Total transactions with owners of the Company		–	–	(2,270,532)	(2,270,532)	(200,160)	(2,470,692)
At 31 December 2011		30,772,788	(1,544,213)	34,204,872	63,433,447	10,190,157	73,623,604

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

Company	Note	Share capital $	Accumulated profits $	Total equity $
At 1 January 2010		29,654,922	16,163,180	45,818,102
Total comprehensive income for the year				
Profit for the year		–	3,296,162	3,296,162
Total comprehensive income for the year		–	3,296,162	3,296,162
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Issue of shares				
– Exercise of warrants issued	11	1,117,866	–	1,117,866
Dividends to equity holders		–	(2,241,701)	(2,241,701)
Total transactions with owners of the Company		1,117,866	(2,241,701)	(1,123,835)
At 31 December 2010		30,772,788	17,217,641	47,990,429
Total comprehensive income for the year				
Profit for the year		–	1,408,609	1,408,609
Total comprehensive income for the year		–	1,408,609	1,408,609
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Dividends to equity holders		–	(2,270,532)	(2,270,532)
Total transactions with owners of the Company		–	(2,270,532)	(2,270,532)
At 31 December 2011		30,772,788	16,355,718	47,128,506

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

Statement of Cash Flows

Year ended 31 December 2011

Group	Note	2011 $	2010 $
Cash flows from operating activities			
Profit before income tax		4,151,097	5,298,988
Adjustments for:			
Allowances for (Write back of):			
– doubtful trade receivables		428,890	620,550
– inventory obsolescence		115,000	(170,000)
Bad trade receivables:			
– written off		4,579	7,621
– recovered		(5,225)	(710)
Depreciation of:			
– property, plant and equipment		2,180,004	2,128,116
– biological assets		647,402	663,010
Property, plant and equipment written off		7,148	10,692
(Gain) Loss on disposal of:			
– property, plant and equipment		(62,592)	22,625
– a subsidiary		(952,172)	–
Change in fair value less estimated point-of-sale costs of breeder stocks		107,597	(234,888)
Share of losses of associates		96,645	67,490
Interest income		(13,419)	(4,523)
Interest expense		410,157	500,316
		7,115,111	8,909,287
Changes in working capital:			
Inventories		(2,415,313)	(2,789,831)
Breeder stocks		183,264	457,113
Trade and other receivables		(1,794,465)	(1,871,603)
Trade and other payables		(919,484)	501,401
Cash generated from operations		2,169,113	5,206,367
Income taxes paid		(516,145)	(1,149,736)
Net cash from operating activities		1,652,968	4,056,631
Cash flows from investing activities			
Purchase of:			
– property, plant and equipment		(1,632,687)	(1,251,806)
– biological assets		(338,966)	–
Proceeds from disposal of property, plant and equipment		382,980	1,690,103
Interest received		13,419	4,523
Disposal of a subsidiary	23	(95,937)	–
Net cash (used in) from investing activities		(1,671,191)	442,820
Cash flows from financing activities			
Interest paid		(409,884)	(503,578)
Drawdown of bank term loans		200,000	500,000
Repayment of bank term loans		(371,760)	(1,155,324)
Payment of finance lease liabilities		(185,027)	(217,488)
Dividends paid to equity holders		(2,270,532)	(2,241,701)
Dividends paid to non-controlling shareholder of a subsidiary		(200,160)	(207,360)
Capital contribution from non-controlling shareholders		225,000	–
Proceeds from issuance of new shares		–	1,117,866
Net cash used in financing activities		(3,012,363)	(2,707,585)
Net (decrease) increase in cash and cash equivalents		(3,030,586)	1,791,866
Cash and cash equivalents at beginning of year		11,690,547	9,846,614
Effect of exchange rate fluctuations on cash held		(54,410)	52,067
Cash and cash equivalents at end of year	10	8,605,551	11,690,547

The 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 11 January 2012.

1. Domicile and activities

Qian Hu Corporation Limited (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is 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 associates.

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 are measured at amortised cost.

- 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 4 – estimated useful lives of brooder stocks
- Note 5 – key assumptions used in discounted cash flow projections

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 – key assumptions used in discounted cash flow projections
- Note 9 – recoverability of trade receivables

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.2, which addressed changes in accounting policies.

2.2 Changes in accounting policies

(i) Measurement of non-controlling interests in business combinations

From 1 January 2011, the Group has applied the amendments to FRS 103 *Business Combinations* resulting from the *Improvements to FRSs 2010* in measuring at the acquisition date, non-controlling interests that are not present ownership interests and do not entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Such non-controlling interests are now measured at fair value (see note 2.3).

Previously, the Group has elected on a transaction-by-transaction basis whether to measure non-controlling interests that are not present ownership interests and do not entitle holders to proportionate share of the acquiree's net assets on liquidation at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date.

This change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on earnings per share.

(ii) Identification of related party relationships and related party disclosures

From 1 January 2011, the Group has applied the revised FRS 24 *Related Party Disclosures* (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) did not result in additional parties being identified as related to the Group. Transactions and outstanding balances with related parties for the current and comparative years have been disclosed accordingly in notes 9, 15 and 24 to the financial statements.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per share.

2.3 Consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

2.3 Consolidation (cont'd)

Subsidiaries

Subsidiaries are entities controlled by the Group. 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. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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 profit or loss and other comprehensive income, 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.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

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 associates by the Company

Investments in subsidiaries and the associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

2.4 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).

2.4 Foreign currencies (cont'd)

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 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

2.5 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, restoring the site on which they are located, and capitalised borrowing costs. 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.

2.5 Property, plant and equipment (cont'd)

The estimated useful lives for the current and comparative years are as follows:

Freehold buildings	20 years
Leasehold land	over the remaining lease terms
Leasehold buildings	over the remaining lease terms
Leasehold improvements	over the remaining lease terms
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	8 – 10 years

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

2.6 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 sale. As at the reporting date, these stocks are measured based on their fair value less estimated point-of-sale costs, with any change therein recognised in the income statement. 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.

2.7 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.

2.8 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

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 2.11.

(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.

2.9 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise 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 statement of cash flows.

Other

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

2.9 Financial instruments (cont'd)

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.

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.

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

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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Government grants – Jobs Credit Scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised upon receipt. Such grants are provided to defray the wage costs incurred by the Group and are offset against staff costs in the financial statements.

2.17 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 or in other comprehensive income.

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 in respect of 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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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.

2.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman and Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. Property, plant and equipment

Group	Freehold land and buildings $	Leasehold land and buildings $	Leasehold improvements $	Motor vehicles $
Cost				
At 1 January 2010	8,117,131	8,958,144	518,415	2,217,234
Translation differences on consolidation	178,037	6,717	11,028	16,489
Additions	94,156	35,948	83,848	480,693
Disposals/write offs/transfers	(1,773,955)	–	–	(159,615)
At 31 December 2010	6,615,369	9,000,809	613,291	2,554,801
Translation differences on consolidation	(175,503)	(11,196)	(18,384)	(25,558)
Additions	11,098	149,765	329,052	282,588
Disposals/write offs/transfers	–	–	–	(164,791)
Disposal of a subsidiary	–	–	–	(38,669)
At 31 December 2011	6,450,964	9,139,378	923,959	2,608,371
Accumulated depreciation and impairment losses				
At 1 January 2010	1,111,557	3,489,443	378,179	1,409,942
Translation differences on consolidation	24,381	3,885	8,046	10,911
Depreciation charge for the year	198,334	807,390	48,982	318,843
Disposals/write offs/transfers	(297,094)	–	–	(151,324)
At 31 December 2010	1,037,178	4,300,718	435,207	1,588,372
Translation differences on consolidation	(27,525)	(7,598)	(14,811)	(17,783)
Depreciation charge for the year	194,049	856,352	79,040	348,251
Disposals/write offs/transfers	–	–	–	(162,323)
Disposal of a subsidiary	–	–	–	(26,944)
At 31 December 2011	1,203,702	5,149,472	499,436	1,729,573
Carrying amount				
At 1 January 2010	7,005,574	5,468,701	140,236	807,292
At 31 December 2010	5,578,191	4,700,091	178,084	966,429
At 31 December 2011	5,247,262	3,989,906	424,523	878,798

Computers $	Furniture, fittings and office equipment $	Equipment and tools $	Machinery and equipment $	Ponds and concrete tanks $	Electrical and installation $	Total $
1,194,642	1,335,329	1,347,966	4,672,752	175,640	1,588,974	30,126,227
5,329	12,528	19,406	(54,792)	–	4,181	198,923
131,922	105,838	62,245	304,899	–	212,136	1,511,685
(4,752)	(19,769)	(513,203)	(9,598)	(175,640)	(19,826)	(2,676,358)
1,327,141	1,433,926	916,414	4,913,261	–	1,785,465	29,160,477
(8,668)	(21,535)	(13,205)	42,768	–	(7,482)	(238,763)
102,941	85,892	68,523	679,398	–	42,556	1,751,813
(41,102)	(21,515)	(4,751)	(47,073)	–	(80,454)	(359,686)
(31,710)	(108,258)	–	(1,455,860)	–	(147,501)	(1,781,998)
1,348,602	1,368,510	966,981	4,132,494	–	1,592,584	28,531,843
841,675	877,360	773,001	3,876,075	175,640	1,251,783	14,184,655
3,219	4,332	12,017	(55,617)	–	6,119	17,293
137,816	120,453	75,960	251,243	–	169,095	2,128,116
(4,682)	(8,186)	(288,480)	(7,708)	(175,640)	(19,826)	(952,940)
978,028	993,959	572,498	4,063,993	–	1,407,171	15,377,124
(5,533)	(11,482)	(8,644)	44,546	–	(8,699)	(57,529)
149,942	113,568	82,216	240,611	–	115,975	2,180,004
(40,561)	(12,830)	(3,969)	(40,611)	–	(80,454)	(340,748)
(30,232)	(106,846)	–	(1,394,739)	–	(115,001)	(1,673,762)
1,051,644	976,369	642,101	2,913,800	–	1,318,992	15,485,089
352,967	457,969	574,965	796,677	–	337,191	15,941,572
349,113	439,967	343,916	849,268	–	378,294	13,783,353
296,958	392,141	324,880	1,218,694	–	273,592	13,046,754

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

Company	Leasehold land and buildings $	Leasehold improvements $	Motor vehicles $	Computers $	Furniture, fittings and office equipment $	Machinery and equipment $	Electrical and installation $	Total $
Cost								
At 1 January 2010	8,642,422	–	790,408	759,061	396,374	1,056,713	360,616	12,005,594
Additions	35,948	83,848	138,870	98,792	24,702	139,237	4,964	526,361
Disposals/write-offs	–	–	(60,980)	(4,606)	–	(4,380)	–	(69,966)
At 31 December 2010	8,678,370	83,848	868,298	853,247	421,076	1,191,570	365,580	12,461,989
Additions	10,600	144,006	168,662	70,622	7,117	526,864	4,041	931,912
Disposals/write-offs	–	–	(68,707)	(40,402)	–	(1,120)	–	(110,229)
At 31 December 2011	8,688,970	227,854	968,253	883,467	428,193	1,717,314	369,621	13,283,672
Accumulated depreciation and impairment losses								
At 1 January 2010	3,306,869	–	495,135	556,812	255,642	601,858	299,125	5,515,441
Depreciation charge for the year	775,035	8,547	117,243	95,275	36,465	96,274	15,292	1,144,131
Disposals/write-offs	–	–	(60,980)	(4,536)	–	(4,163)	–	(69,679)
At 31 December 2010	4,081,904	8,547	551,398	647,551	292,107	693,969	314,417	6,589,893
Depreciation charge for the year	779,135	32,707	129,968	105,370	25,235	117,034	9,268	1,198,717
Disposals/write-offs	–	–	(68,707)	(39,861)	–	(533)	–	(109,101)
At 31 December 2011	4,861,039	41,254	612,659	713,060	317,342	810,470	323,685	7,679,509
Carrying amount								
At 1 January 2010	5,335,553	–	295,273	202,249	140,732	454,855	61,491	6,490,153
At 31 December 2010	4,596,466	75,301	316,900	205,696	128,969	497,601	51,163	5,872,096
At 31 December 2011	3,827,931	186,600	355,594	170,407	110,851	906,844	45,936	5,604,163

The carrying amounts of property, plant and equipment of the Group and the Company include amounts totalling $711,671 (2010: $622,133) and $287,387 (2010: $272,968) respectively, in respect of property, plant and equipment acquired under finance lease arrangements.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $1,751,813 (2010: $1,511,685), of which $119,126 (2010: $259,879) were acquired under finance leases. Cash payments of $1,632,687 (2010: $1,251,806) were made to purchase property, plant and equipment.

Freehold land of a subsidiary with a carrying amount of $1,477,378 (2010: $1,517,209) is held by a director of the subsidiary in trust for the subsidiary.

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

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

Location	Description and existing use	Tenure/ unexpired term	Land area (sqm)	Carrying amount 2011 $	Carrying amount 2010 $
Held by the Company					
– Leasehold buildings					
69 & 71 Jalan Lekar, Singapore	Fish farming	20 years from 11 November 1993	41,776	1,202,626	1,819,407
– Leasehold land and buildings					
78 Jalan Lekar, Singapore	Fish farming	20 years from 20 February 2008	19,343	2,625,305	2,777,059
Held through subsidiaries					
– Leasehold land and buildings					
30/25 & 30/26 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2011 to 31 December 2013	3,290	83,808	103,625
30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2011 to 31 December 2013	1,740	–	–
30/24 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 August 2010 to 31 December 2011	1,740	78,167	–
Held through subsidiaries					
– Freehold land and buildings					
761 Rangsit – Nakornayok 52 Road, Pachatipat, Tanyaburi, Pathumtani, 12130 Thailand	Residential	Freehold	444	164,253	180,962
Lot No 1646, 1647, 4138, 4139, 4141, 4937 & 4938 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	153,729		
Lot No 4137 GM No 3164 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	43,478	3,684,040	3,933,470
Lot No 4153 GM No 2096 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	13,759		
Lot No 4774 GM No 549 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	8,903		
Lot No 5092 GRN 50300 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	118,875	1,398,969	1,463,759
				9,237,168	10,278,282

4. Biological assets

	Brooder stocks			
	Group		Company	
	2011 $	2010 $	2011 $	2010 $
Cost				
At 1 January	33,150,507	32,512,011	3,425,000	3,425,000
Translation differences on consolidation	(780,384)	638,496	–	–
Additions	338,966	–	–	–
Disposals	(338,966)	–	–	–
At 31 December	32,370,123	33,150,507	3,425,000	3,425,000
Accumulated depreciation and impairment loss				
At 1 January	2,900,764	2,196,262	374,578	306,078
Translation differences on consolidation	(66,320)	41,492	–	–
Depreciation charge for the year	647,402	663,010	68,500	68,500
Disposals	(30,368)	–	–	–
At 31 December	3,451,478	2,900,764	443,078	374,578
Carrying amount				
At 31 December	28,918,645	30,249,743	2,981,922	3,050,422
Estimated quantity at year end	11,661	11,670	750	750

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. The depreciation method, useful lives and residual values are reviewed at each reporting date.

The brooder stocks are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the brooder stocks to be 50 years. Management monitors the mortality rate of the brooder stocks on a continuing basis and is not aware of any developments or research findings that would require a revision of the useful lives for the brooder stocks.

	Breeder stocks			
	Group		Company	
	2011 $	2010 $	2011 $	2010 $
At 1 January	1,283,395	1,505,620	426,195	420,250
Change in fair value less estimated point-of-sale costs	(107,597)	234,888	(121,945)	70,995
Decreases due to sales	(3,692,904)	(3,160,065)	(939,280)	(1,202,445)
Net increase due to births	3,509,640	2,702,952	1,035,420	1,137,395
At 31 December	992,534	1,283,395	400,390	426,195
Estimated quantity at year end	1,576	1,357	895	668

During the financial year, the brooder stocks of the Group and the Company bred approximately 8,876 and 2,266 (2010: 4,759 and 1,725) 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 and fatalities 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

Group	Trademarks/ customer acquisition costs $	Product listing fees $	Goodwill on consolidation $	Total $
Cost				
At 1 January 2010	938,051	196,153	1,965,620	3,099,824
Translation differences on consolidation	363	–	–	363
Additions through acquisitions	–	–	–	–
At 31 December 2010	938,414	196,153	1,965,620	3,100,187
Translation differences on consolidation	(444)	–	–	(444)
Disposal of a subsidiary	–	–	(50,864)	(50,864)
At 31 December 2011	937,970	196,153	1,914,756	3,048,879
Accumulated amortisation and impairment loss				
At 1 January 2010	595,003	196,153	–	791,156
Translation differences on consolidation	363	–	–	363
Amortisation charge for the year	–	–	–	–
At 31 December 2010	595,366	196,153	–	791,519
Translation differences on consolidation	(444)	–	–	(444)
Amortisation charge for the year	–	–	–	–
At 31 December 2011	594,922	196,153	–	791,075
Carrying amount				
At 1 January 2010	343,048	–	1,965,620	2,308,668
At 31 December 2010	343,048	–	1,965,620	2,308,668
At 31 December 2011	343,048	–	1,914,756	2,257,804

5. Intangible assets (cont'd)

Company	Trademarks/ customer acquisition costs $	Product listing fees $	Goodwill on consolidation $	Total $
Cost				
At 1 January 2010	921,497	196,153	–	1,117,650
Additions	–	–	–	–
At 31 December 2010	921,497	196,153	–	1,117,650
Additions	–	–	–	–
At 31 December 2011	921,497	196,153	–	1,117,650
Accumulated amortisation				
At 1 January 2010	578,449	196,153	–	774,602
Amortisation charge for the year	–	–	–	–
At 31 December 2010	578,449	196,153	–	774,602
Amortisation charge for the year	–	–	–	–
At 31 December 2011	578,449	196,153	–	774,602
Carrying amount				
At 1 January 2010	343,048	–	–	343,048
At 31 December 2010	343,048	–	–	343,048
At 31 December 2011	343,048	–	–	343,048

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 is allocated to the following CGU:

	Group 2011 $	Group 2010 $
Malaysia – fish division	1,914,756	1,914,756

Goodwill on consolidation arose mainly 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 and Dragon Fish.

Trademarks/customer acquisition costs are costs paid for the acquisition and registration of brands and trademarks of pet food.

The recoverable amounts of the above balances are based on value in use and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use in 2011 was determined in a similar manner as in 2010. No impairment loss was required for the carrying amount of goodwill and trademarks/customer acquisition costs at 31 December 2011 and 31 December 2010 as the recoverable value was in excess of the carrying value.

5. Intangible assets (cont'd)

Key assumptions used in discounted cash flow projection calculations

Key assumptions used in the calculation of recoverable amounts of goodwill and trademarks/customer acquisition costs are discount rates and growth rates. These assumptions are as follows:

	Discount rate		Terminal value growth rate		Budgeted revenue growth	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Fish	12.4%	12.3%	3.0%	3.0%	9.6%	8.4%
Pet food	12.0%	12.0%	3.0%	3.0%	7.0%	7.0%

Discount rate

The discount rates used are pre-tax based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific business activities.

Terminal value growth rate

Management includes five years of cash flows based on financial budgets approved by management in their discounted cash flow models. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which the division is based and the long-term compound annual growth rate in EBITDA estimated by management.

Budgeted revenue growth

The anticipated annual revenue growth included in the cash flow projections was based on past performance and its expectation for market development.

6. Subsidiaries

	Company	
	2011	**2010**
	$	**$**
Unquoted equity investments, at cost	10,601,547	12,012,586

6. Subsidiaries (cont'd)

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and business	Effective equity held by the Group 2011 %	Effective equity held by the Group 2010 %	Cost of investment by the Company 2011 $	Cost of investment by the Company 2010 $
* 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	171,951	171,951
^ Qian Hu The Pet Family (M) Sdn. Bhd.	Trading of ornamental fish and aquarium accessories	Malaysia	100	100	–	–
# Kim Kang Aquaculture Sdn. Bhd.	Breeding, and trading of ornamental fish	Malaysia	65	65	8,538,391	8,538,391
^ 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	–	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 and its subsidiary:	Trading of ornamental fish	Thailand	60	60	121,554	121,554
^ Advance Aquatic Co., Ltd	Trading of ornamental fish	Thailand	60	60	–	–
^ NNTL (Thailand) Limited	Investment holding	Thailand	49@	49@	30,999	30,999
^^P.T. Qian Hu Joe Aquatic Indonesia	Dormant	Indonesia	55	–	275,000	–
					10,601,547	12,012,586

During the financial year, the Company incorporated a 55% owned subsidiary in Indonesia, P.T. Qian Hu Joe Aquatic Indonesia, which has a paid-up ordinary share capital of $500,000.

In December 2011, the Company disposed of its entire equity interest in Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") to a third party.

6. Subsidiaries (cont'd)

KPMG LLP Singapore is the auditor of the Singapore-incorporated subsidiary. A member firm of KPMG International is auditor of a 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 LLP 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.*

^^ *Statutory audit is not required as at 31 December 2011.*

• *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. Associates

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Investment in associates, at cost	1,215,200	1,215,200	1,215,200	1,215,200
Share of post-acquisition losses	(208,606)	(111,961)	–	–
	1,006,594	1,103,239	1,215,200	1,215,200

Investment in associates at 31 December 2011 includes goodwill of $134,289 (2010: $134,289).

Details of associates are as follows:

Name of associate	Principal activities	Country of incorporation	Effective equity held by the Group 2011 %	Effective equity held by the Group 2010 %
^ Arcadia Products PLC	Manufacture and distribution of aquarium lamps	United Kingdom	20	20
^ Qian Hu Aquasstar (India) Private Limited	Manufacture of fish food and aquarium accessories	India	50	50

^ *The associates are audited by other certified public accountants. These associates are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.*

7. Associates (cont'd)

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

The financial information of the associates is as follows:

	2011 $	2010 $
Assets and liabilities		
Total assets	6,940,047	7,184,081
Total liabilities	4,609,088	4,466,359
Results		
Revenue	4,145,488	9,977,003
Expenses	4,412,373	4,771,639
Loss after taxation	266,885	107,553

8. Inventories

	Group		Company	
	2011 $	2010 $	2011 $	2010 $
Fish	7,534,168	5,859,770	2,326,394	2,222,362
Accessories	11,253,043	17,323,943	4,557,827	4,578,890
Raw materials – plastic products	258,032	387,369	–	–
Finished goods – plastic products	540,533	512,619	–	–
	19,585,776	24,083,701	6,884,221	6,801,252

9. Trade and other receivables

	Group		Company	
	2011 $	2010 $	2011 $	2010 $
Trade receivables	28,810,854	21,385,406	21,755,089	10,889,881
Allowance for doubtful trade receivables	(1,661,636)	(2,203,499)	(1,627,723)	(1,975,435)
Net receivables	27,149,218	19,181,907	20,127,366	8,914,446
Deposits	352,836	349,101	75,940	60,230
Deposit for purchase of property, plant and equipment	325,727	80,518	291,034	52,546
Prepayments	594,198	596,424	205,789	174,835
Advances to suppliers	2,362,974	254,479	2,210,338	251,930
Tax recoverable	435,653	681,043	–	–
Other receivables	248,913	334,359	193,476	128,730
Amounts due from:				
– subsidiaries (trade)	–	–	9,590,533	18,417,476
– subsidiaries (non-trade)	–	–	2,481,395	3,739,571
– associates (trade)	61,464	1,428,151	61,464	15,208
	31,530,983	22,905,982	35,237,335	31,754,972

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.

9. Trade and other receivables (cont'd)

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
US Dollar	4,026,076	2,732,257	2,877,634	1,095,740
Euro	1,434,882	50,085	1,414,711	30,835
Ringgit Malaysia	1,368,101	2,184,996	–	–
Thai Baht	594,248	525,609	–	–
Chinese Renminbi	2,280,740	4,001,588	275,913	324,717

Impairment losses

The ageing of trade receivables at the reporting date is:

	Gross receivables 2011	Impairment loss 2011	Gross Receivables 2010	Impairment loss 2010
	$	$	$	$
Group				
Not past due	9,137,384	–	6,865,385	–
Past due 0 – 30 days	3,525,022	–	4,634,888	–
Past due 31 – 60 days	2,014,018	–	2,283,313	–
Past due 61 – 90 days	1,950,485	–	1,806,999	–
Past due more than 90 days	12,183,945	1,661,636	5,794,821	2,203,499
	28,810,854	1,661,636	21,385,406	2,203,499
Company				
Not past due	6,747,219	–	3,764,218	–
Past due 0 – 30 days	1,885,407	–	1,909,943	–
Past due 31 – 60 days	1,259,389	–	829,114	–
Past due 61 – 90 days	1,184,699	–	666,838	–
Past due more than 90 days	10,678,375	1,627,723	3,719,768	1,975,435
	21,755,089	1,627,723	10,889,881	1,975,435

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
At 1 January	2,203,499	2,046,937	1,975,435	1,817,541
Impairment loss recognised	428,890	620,550	430,894	622,013
Amount written off against allowance made	(970,593)	(464,119)	(778,606)	(464,119)
Translation differences on consolidation	(160)	131	–	–
At 31 December	1,661,636	2,203,499	1,627,723	1,975,435

Trade and other receivables of the Group and Company as at 31 December 2011 include approximately $12.7 million owing by Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd, a former subsidiary of the Group. These include trade receivables of $10.5 million which are overdue. Management is of the view that these overdue amounts are not impaired as GZQH will be able to repay the debts from its operating or other cash flows. The recoverability of the amounts owing by GZQH as at 31 December 2011 is guaranteed by a major shareholder of the Company.

9. Trade and other receivables (cont'd)

Except for the abovementioned, concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. Many of these customers are internationally dispersed, engage in a wide spectrum of 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

	Group		Company	
	2011 $	2010 $	2011 $	2010 $
Fixed deposits with a financial institution	24,560	24,560	24,560	24,560
Cash and bank balances	8,580,991	11,665,987	4,048,857	6,078,746
	8,605,551	11,690,547	4,073,417	6,103,306

Fixed deposits bear effective interest rate of 0.7% (2010: 0.7%) per annum. The fixed deposits are pledged to a financial institution to secure performance guarantees issued by that financial institution.

Cash and bank balances earn interests at floating rates based on daily bank deposit rates from 0% to 0.1% (2010: 0% to 0.05%) per annum.

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

	Group		Company	
	2011 $	2010 $	2011 $	2010 $
US Dollar	691,264	580,646	517,562	421,721
Euro	60,673	51,599	26,682	25,218
Ringgit Malaysia	739,967	1,759,960	–	–
Thai Baht	1,400,708	2,041,391	–	–
Chinese Renminbi	711,420	573,775	–	–
Indonesian Rupiah	500,150	–	–	–

11. Share capital

	Company			
	2011 No. of Shares	2010 No. of Shares	2011 $	2010 $
Fully paid ordinary shares, with no par value:				
At 1 January	454,106,350	422,167,317	30,772,788	29,654,922
Issue of new shares				
– Exercise of warrants	–	31,939,033	–	1,117,866
At 31 December	454,106,350	454,106,350	30,772,788	30,772,788

During 2010, the Company issued 31,939,033 shares at $0.035 each fully paid for cash upon the exercise of warrants.

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.

11. Share capital (cont'd)

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 non-controlling 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	
	2011 $	2010 $	2011 $	2010 $
Net debt	18,960,526	17,640,119	15,313,925	12,614,582
Total equity	73,623,604	73,030,196	47,128,506	47,990,429
Total capital	92,584,130	90,670,315	62,442,431	60,605,011
Gearing ratio	0.20	0.19	0.25	0.21

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2010 and 2011. There were no changes in the Group's approach to capital management during the financial year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

12. Reserves

	Group		Company	
	2011 $	2010 $	2011 $	2010 $
Accumulated profits	34,204,872	33,009,774	16,355,718	17,217,641
Currency translation reserve	(1,544,213)	(1,059,241)	–	–
	32,660,659	31,950,533	16,355,718	17,217,641

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

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Non-current liabilities				
Finance lease liabilities	297,712	372,818	135,232	114,626
Current liabilities				
Singapore dollar short-term loans (unsecured)	10,500,000	10,300,000	10,500,000	10,300,000
Ringgit Malaysia ("RM") long-term loans (unsecured)	777,363	1,180,104	–	–
Bills payable to banks (unsecured)	4,226,403	4,362,995	741,204	572,412
Finance lease liabilities	176,768	177,886	71,789	57,578
	15,680,534	16,020,985	11,312,993	10,929,990
Total borrowings	15,978,246	16,393,803	11,448,225	11,044,616

The unsecured short-term loans are revolving bank loans which bear interest at rates from 1.27% to 1.47% (2010: 1.31% to 1.43%) per annum and are repayable within the next 12 months from the reporting date.

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

- 10-year unsecured bank loan of RM2.5 million, bears interest at 8.10% (2010: 7.80%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- 5-year unsecured bank loan of RM3.0 million, bears interest at 7.60% (2010: 7.30%) per annum and is repayable in 60 monthly instalments commencing May 2009.

The weighted average effective interest rates per annum relating to the bills payable to banks, at the reporting date for the Group and the Company are 4.54% (2010: 4.41%) and 5.25% (2010: 5.25%) respectively. These bills mature within 1 to 4 months from the reporting date.

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

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Ringgit Malaysia	3,485,199	3,790,583	–	–
Australian Dollar	250,489	142,444	250,489	142,444
Japanese Yen	132,625	56,336	132,625	56,336

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:

	2011			2010		
	Principal $	Interest $	Payments $	Principal $	Interest $	Payments $
Group						
Repayable within 1 year	176,768	23,389	200,157	177,886	24,753	202,639
Repayable after 1 year but within 5 years	297,712	31,979	329,691	372,818	44,238	417,056
	474,480	55,368	529,848	550,704	68,991	619,695
Company						
Repayable within 1 year	71,789	11,107	82,896	57,578	9,820	67,398
Repayable after 1 year but within 5 years	135,232	19,326	154,558	114,626	19,893	134,519
	207,021	30,433	237,454	172,204	29,713	201,917

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 4.64% (2010: 4.94%) and 6.27% (2010: 6.71%) respectively.

The following are the contractual maturities 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					
2011					
Bills payable to banks	4,226,403	4,290,363	4,290,363	–	–
S$ floating rate loans	10,500,000	10,643,850	10,643,850	–	–
RM floating rate loans	777,363	842,117	446,197	395,920	–
Finance lease liabilities	474,480	529,848	200,157	329,691	–
Trade and other payables*	9,375,328	9,375,328	9,375,328	–	–
	25,353,574	25,681,506	24,955,895	725,611	–

* *Excludes accrued expenses.*

13. Financial liabilities (cont'd)

Group	Carrying amount $	Cash flows: Contractual cash flows $	Within 1 year $	Within 1 to 5 years $	More than 5 years $
2010					
Bills payable to banks	4,362,995	4,411,097	4,411,097	–	–
S$ floating rate loans	10,300,000	10,441,110	10,441,110	–	–
RM floating rate loans	1,180,104	1,272,152	412,883	772,433	86,836
Finance lease liabilities	550,704	619,695	202,639	417,056	–
Trade and other payables*	11,104,994	11,104,994	11,104,994	–	–
	27,498,797	27,849,048	26,572,723	1,189,489	86,836
Company					
2011					
S$ floating rate loans	10,500,000	10,643,850	10,643,850	–	–
Finance lease liabilities	207,021	237,454	82,896	154,558	–
Bills payable to banks	741,204	754,175	754,175	–	–
Trade and other payables*	6,279,759	6,279,759	6,279,759	–	–
Recognised financial liabilities	17,727,984	17,915,238	17,760,680	154,558	–
Intra-group financial guarantees (drawndown amount)	–	4,262,562	4,262,562	–	–
	17,727,984	22,177,800	22,023,242	154,558	–
2010					
S$ floating rate loans	10,300,000	10,441,110	10,441,110	–	–
Finance lease liabilities	172,204	201,917	67,398	134,519	–
Bills payable to banks	572,412	579,925	579,925	–	–
Trade and other payables*	6,354,937	6,354,937	6,354,937	–	–
Recognised financial liabilities	17,399,553	17,577,889	17,443,370	134,519	–
Intra-group financial guarantees (drawndown amount)	–	4,970,687	4,970,687	–	–
	17,399,553	22,548,576	22,414,057	134,519	–

* *Excludes accrued expenses.*

14. Deferred tax liabilities

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Deferred tax liabilities				
Property, plant and equipment and biological assets	4,200,213	4,329,093	556,595	556,595

14. Deferred tax liabilities (cont'd)

Movement in deferred tax liabilities

	Note	Group $	Company $
At 1 January 2010		4,056,264	100,000
Recognised in profit or loss	19	192,857	456,595
Translation differences on consolidation		79,972	–
At 31 December 2010		4,329,093	556,595
Recognised in profit or loss	19	(36,222)	–
Translation differences on consolidation		(92,658)	–
At 31 December 2011		4,200,213	556,595

The Group has unutilised tax losses of approximately $Nil (2010: $87,799) 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	
	2011 $	2010 $	2011 $	2010 $
Trade payables	6,711,318	8,445,380	3,206,395	3,262,353
Accrued operating expenses	359,595	254,596	184,968	154,504
Other payables	1,871,113	1,992,147	1,610,530	1,706,259
Accrued staff costs	1,852,908	1,577,273	1,474,390	1,163,831
Advance received from customers	792,897	667,467	287,114	93,321
Amounts due to subsidiaries				
– trade	–	–	45,720	63,004
– non-trade	–	–	1,130,000	1,230,000
	11,587,831	12,936,863	7,939,117	7,673,272

Other payables are interest-free and have an average term of three months. The non-trade amounts due to subsidiaries 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	
	2011 $	2010 $	2011 $	2010 $
US Dollar	568,208	547,556	331,148	284,759
Euro	676,838	427,052	676,838	427,052
Ringgit Malaysia	1,440,597	2,210,967	8,726	13,045
Japanese Yen	–	55,837	–	55,837
Thai Baht	370,008	1,248,771	–	–
Chinese Renminbi	301,133	362,422	10,055	23,440
Australian Dollar	5,867	149,056	5,867	149,056
Hong Kong Dollar	–	3,828	–	3,828
New Taiwan Dollar	144,231	151,293	127,884	127,740

16. Revenue

	Group		Company	
	2011 $	2010 $	2011 $	2010 $
Sale of goods				
– fish	42,712,977	45,174,746	25,074,783	26,960,803
– accessories	34,288,790	34,433,301	23,274,685	20,772,608
– plastics	11,339,584	11,554,959	–	–
	88,341,351	91,163,006	48,349,468	47,733,411

17. Net finance expenses

	Group		Company	
	2011 $	2010 $	2011 $	2010 $
Interest income				
– bank deposits	13,419	4,523	946	913
Interest expense				
– bank loans and overdrafts	(212,627)	(278,300)	(138,118)	(143,329)
– bills payable to banks	(164,495)	(186,727)	(26,814)	(31,448)
– finance lease liabilities	(33,035)	(35,289)	(10,290)	(12,249)
	(410,157)	(500,316)	(175,222)	(187,026)
Net finance expenses	(396,738)	(495,793)	(174,276)	(186,113)

18. Profit before income tax

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

	Group		Company	
	2011 $	2010 $	2011 $	2010 $
Allowance for (Write back of)				
– doubtful trade receivables	428,890	620,550	430,894	622,013
– inventory obsolescence	115,000	(170,000)	115,000	(170,000)
Bad trade receivables				
– written off	4,579	7,621	–	231
– recovered	(5,225)	(710)	(5,225)	(291)
Auditors' remuneration				
– auditors of the Company	80,000	77,000	68,000	65,000
– other auditors	31,674	28,582	–	–
Non-audit fees				
– other auditors	22,700	24,200	17,900	18,200
Depreciation of				
– property, plant and equipment	2,180,004	2,128,116	1,198,717	1,144,131
– biological assets	647,402	663,010	68,500	68,500
Exchange gain, net	(547,398)	(495,568)	(359,405)	(273,524)
Operating lease expense	1,169,471	1,142,431	165,564	158,432
Property, plant and equipment written off	7,148	10,692	1,129	287
Staff costs				
– salaries and bonus	11,346,897	10,973,139	6,471,664	6,382,453
– provident fund contributions	793,470	804,827	400,810	419,904
– staff welfare benefits	670,314	693,178	342,137	306,968
Directors' fees				
– directors of the Company	75,000	75,000	75,000	75,000
Change in fair value less estimated point-of-sale costs of breeder stocks	107,597	(234,888)	121,945	(70,995)
Other income				
– (gain) loss on disposal of property, plant and equipment	(62,592)	22,625	(290)	(484)
– dividend income received from subsidiaries	–	–	(1,297,461)	(1,308,659)
– (gain) loss on disposal of a subsidiary	(952,172)	–	1,673,038	–
– sundry income	(150,754)	(137,089)	(1,127)	(18,206)

During the financial year, the Group and the Company received $Nil and $Nil (2010: $64,753 and $56,681), respectively, of government grants in relation to the jobs credit scheme which were offset against staff costs.

19. Income tax expense

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Income tax recognised in profit or loss					
Current tax expense					
Current year		729,643	1,061,910	229,746	290,866
Over provision in respect of prior years		(143,305)	(472,937)	(180,000)	(456,595)
		586,338	588,973	49,746	(165,729)
Deferred tax (income) expense					
Origination and reversal of temporary differences		(65,561)	(164,616)	–	42,937
Over provision in respect of prior year		29,339	357,473	–	413,658
	14	(36,222)	192,857	–	456,595
Total income tax expense		550,116	781,830	49,746	290,866

Reconciliation of effective tax rate

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Profit before income tax	4,151,097	5,298,988	1,458,355	3,587,028
Income tax using Singapore tax rate of 17% (2010: 17%)	705,686	900,828	247,920	609,795
Expenses not deductible for tax purposes	266,461	62,224	305,270	9,380
Income not subject to tax	(292,925)	(168,426)	(264,277)	(265,033)
Effect of different tax rates in other countries	79,847	230,185	–	–
Over provision in respect of prior year	(113,966)	(115,464)	(130,254)	(42,937)
Recognition of previously unrecognised deferred tax assets	–	(104,818)	–	–
Deferred tax assets not recognised	1,517	–	–	–
Others	(96,504)	(22,699)	(108,913)	(20,339)
Income tax expense	550,116	781,830	49,746	290,866

Income tax recognised in other comprehensive income

There is no income tax effect on the translation differences relating to financial statements of foreign subsidiaries in other comprehensive income.

20. Directors' remuneration

Company's directors receiving remuneration from the Group:

	Number of directors 2011	Number of directors 2010
Remuneration of:		
$500,000 and above	–	–
$250,000 to $499,999	4	2
Below $250,000	4	5
	8	7

20. Directors' remuneration (cont'd)

Names of director	Salary $	Bonus $	Directors' fees $	Total $
2011				
Kenny Yap Kim Lee	296,738	30,000	–	326,738
Alvin Yap Ah Seng	260,738	30,000	–	290,738
Andy Yap Ah Siong	260,738	30,000	–	290,738
Lai Chin Yee	253,538	50,000	–	303,538
Robson Lee Teck Leng*	–	–	17,700	17,700
Chang Weng Leong	–	–	25,000	25,000
Tan Tow Ee	–	–	25,000	25,000
Sharon Yeoh Kar Choo**	–	–	7,300	7,300
Total	1,071,752	140,000	75,000	1,286,752
2010				
Kenny Yap Kim Lee	289,924	–	–	289,924
Alvin Yap Ah Seng	247,924	–	–	247,924
Andy Yap Ah Siong	247,924	–	–	247,924
Lai Chin Yee	240,724	50,000	–	290,724
Robson Lee Teck Leng	–	–	25,000	25,000
Chang Weng Leong	–	–	25,000	25,000
Tan Tow Ee	–	–	25,000	25,000
Total	1,026,496	50,000	75,000	1,151,496

* *Robson Lee Teck Leng retired as non-executive/independent director of the Company with effect from 17 September 2011.*

** *Sharon Yeoh Kar Choo was appointed to the Board as non-executive/independent director of the Company with effect from 17 September 2011.*

21. Earnings per share

	2011	2010
Profit attributable to equity holders of the Company ($)	3,465,629	4,209,083
Ordinary shares at 1 January	454,106,350	422,167,317
Effect of shares issued on the exercise of warrants	–	24,438,666
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	454,106,350	446,605,983
Dilutive effect of warrants	–	5,943,069
Weighted average number of ordinary shares for calculation of diluted earnings per share	454,106,350	452,549,052
Basic earnings per share (cents)	0.76	0.94
Diluted earnings per share (cents)	0.76	0.93

21. Earnings per share (cont'd)

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 per ordinary share during financial year 2010 was $0.14 per share.

22. Dividends

	Group and Company	
	2011	**2010**
	$	**$**
First and final dividend paid of 0.5 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2009	–	2,241,701
First and final dividend paid of 0.5 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2010	2,270,532	–
	2,270,532	2,241,701

The directors have proposed a final dividend of $0.006 (2010: $0.005) per ordinary share, one-tier tax exempt, totalling $2,724,638 (2010: $2,270,532) in respect of the financial year ended 31 December 2011. 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 2012.

23. Note to consolidated statement of cash flows

During the current financial year, the Group disposed of a wholly owned subsidiary, Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH"), to a third party. The attributable assets and liabilities of the subsidiary disposed of and the cash flows relating to the disposal are set out as follows:-

	Group
	2011
	$
Property, plant and equipment	108,236
Inventories	7,466,242
Trade and other receivables	1,943,693
Amount due from related companies	339,377
Amount due from associates	1,486,497
Cash and cash equivalents	108,937
Trade and other payables	(367,542)
Amount due to holding company	(12,075,476)
Net liabilities disposed	(990,036)
Goodwill on consolidation	50,864
Gain on disposal of a subsidiary	952,172
Total consideration receivable	13,000
Less: Cash and cash equivalents on disposal of subsidiary	(108,937)
Net cash outflow on disposal of subsidiary	(95,937)

GZQH contributed a net loss after tax of $278,804 for the period from 1 January 2011 to 31 October 2011.

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	
	2011	**2010**
	$	**$**
Short-term employee benefits		
– directors of the Company	1,286,752	1,151,496
– other key management personnel	1,544,886	1,535,472
	2,831,638	2,686,968

Other related party transactions

As mentioned in Note 9, trade and other receivables amounting to approximately $12.7 million due from a former subsidiary are guaranteed by a major shareholder of the Company. The Company will be charged a guarantee fee of 0.5% per annum with effect from January 2012.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Sales to subsidiaries	–	–	8,419,555	9,341,061
Sales to associates	1,311,596	2,064,807	–	–
Purchases from subsidiaries	–	–	2,157,948	3,078,714
Purchases from associates	357,065	312,110	357,065	312,110
Rental paid to a non-controlling shareholder of a subsidiary	34,860	37,408	–	–
Fees paid to a firm in which a director has an interest	19,200	–	19,200	–
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

Transactions with subsidiaries include transactions with Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd up to the date of its disposal.

25. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products. For each of the strategic business units, the Group's Executive Chairman and Managing Director reviews internal management reports on a monthly basis.

The Group's reportable operating segments are as follows:

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

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

(iii) Plastics – includes manufacturing and distribution of plastic bags; and

(iv) Others – includes Corporate Office, and consolidation adjustments which are not directly attributable to a particular business segment above.

25. Operating segments (cont'd)

The accounting policies of the reportable segments are the same as described in note 2. Information regarding the results of each reportable segment is included below. Performance is measured based on profit before income tax, as included in the internal management reports that are reviewed by the Group's Executive Chairman and Managing Director. Profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Certain financing costs are managed on a group basis and are not allocated to operating segments. Segment assets and liabilities are presented net of inter-segment balances. Inter-segment pricing is determined on mutually agreed terms.

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

Information about reportable segments

	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
2011					
Revenue					
External revenue	42,713	34,289	11,339	–	88,341
Inter-segment revenue	5,303	10,331	144	(15,778)	–
Total revenue	48,016	44,620	11,483	(15,778)	88,341
Results					
EBITDA*	5,078	3,550	1,055	(2,211)	7,472
Depreciation and amortisation	(1,919)	(808)	(100)	–	(2,827)
Interest expense	(224)	(49)	(2)	(135)	(410)
Interest income	10	3	–	–	13
Operating profit	2,945	2,696	953	(2,346)	4,248
Share of losses of associates	–	(97)	–	–	(97)
Profit before income tax	2,945	2,599	953	(2,346)	4,151
Income tax expense	(231)	(183)	(136)	–	(550)
Profit for the year	2,714	2,416	817	(2,346)	3,601
Assets and liabilities					
Segment assets	62,654	37,501	3,830	1,960	105,945
Investment in associates	–	1,007	–	–	1,007
Segment liabilities	14,453	4,940	1,886	11,042	32,321
Other segment information					
Expenditure for non-current assets	1,328	629	134	–	2,091
Other non-cash items:					
Bad trade receivables					
– written off	4	1	–	–	5
– recovered	(5)	–	–	–	(5)
Property, plant and equipment written off	2	4	1	–	7
Allowance for					
– doubtful trade receivables	284	145	–	–	429
– inventory obsolescence	–	115	–	–	115
Change in fair value less estimated point-of-sale costs of breeder stocks	108	–	–	–	108
Gain on disposal of					
– property, plant and equipment	(31)	(10)	(22)	–	(63)
– a subsidiary	–	(952)	–	–	(952)

* *EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation.*

25. Operating segments (cont'd)

2010	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
Revenue					
External revenue	45,175	34,433	11,555	–	91,163
Inter-segment revenue	3,895	11,803	179	(15,877)	–
Total revenue	49,070	46,236	11,734	(15,877)	91,163
Results					
EBITDA*	5,885	3,745	1,231	(2,208)	8,653
Depreciation and amortisation	(1,831)	(834)	(126)	–	(2,791)
Interest expense	(309)	(56)	(2)	(134)	(501)
Interest income	2	2	1	–	5
Operating profit	3,747	2,857	1,104	(2,342)	5,366
Share of losses of associates	–	(67)	–	–	(67)
Profit before income tax	3,747	2,790	1,104	(2,342)	5,299
Income tax expense	(267)	(370)	(145)	–	(782)
Profit for the year	3,480	2,420	959	(2,342)	4,517
Assets and liabilities					
Segment assets	66,705	34,401	4,143	2,160	107,409
Investment in associates	–	1,103	–	–	1,103
Segment liabilities	17,729	4,070	2,109	10,471	34,379
Other segment information					
Expenditure for non-current assets	511	866	135	–	1,512
Other non-cash items:					
Bad trade receivables					
– written off	–	8	–	–	8
– recovered	(1)	–	–	–	(1)
Property, plant and equipment written off	10	–	1	–	11
Allowance for (Write back of)					
– doubtful trade receivables	556	65	–	–	621
– inventory obsolescence	–	(170)	–	–	(170)
Change in fair value less estimated point-of-sale costs of breeder stocks	(235)	–	–	–	(235)
Loss (Gain) on disposal of property, plant and equipment	39	(14)	(2)	–	23

* *EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation.*

25. Operating segments (cont'd)

Geographical segments

Geographical segments are analysed by four principal geographical areas, namely Singapore, other Asian countries, Europe and Others (i.e., the rest of the world). In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers which the sales are made to regardless of where the sales originate. Segment non-current assets and segment assets are based on the geographical location of the assets.

Geographical Information

2011	Singapore $'000	Other Asian countries $'000	Europe $'000	Others $'000	Consolidated $'000
Revenue from external customers	28,088	41,416	9,350	9,487	88,341
Segment non-current assets	9,188	35,349	693	–	45,230
Segment assets	47,282	57,970	693	–	105,945
2010					
Revenue from external customers	29,236	37,662	13,596	10,669	91,163
Segment non-current assets	9,497	37,170	778	–	47,445
Segment assets	36,337	70,294	778	–	107,409

Major customers

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

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.

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 reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

26. Financial risk management (cont'd)

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.

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 2011		
US Dollar	(352,713)	(306,405)
Euro	(81,872)	(76,456)
Ringgit Malaysia	281,773	873
Japanese Yen	13,263	13,263
Thai Baht	(162,495)	–
Chinese Renminbi	(269,103)	(26,586)
Australian Dollar	25,636	25,636
New Taiwan Dollar	14,423	12,788
31 December 2010		
US Dollar	(276,535)	(123,270)
Euro	32,537	37,100
Ringgit Malaysia	205,659	1,305
Japanese Yen	11,217	11,217
Thai Baht	(131,823)	–
Chinese Renminbi	(421,294)	(30,128)
Australian Dollar	29,150	29,150
Hong Kong Dollar	383	383
New Taiwan Dollar	15,129	12,774

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.

26. Financial risk management (cont'd)

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.

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
2011			
Group			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	4,226	–	4,226
Finance lease liabilities	177	297	474
Floating rate			
Bank term loans	11,277	–	11,277
Company			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	741	–	741
Finance lease liabilities	72	135	207
Floating rate			
Bank term loans	10,500	–	10,500

26. Financial risk management (cont'd)

	Within 1 year $'000	1 to 5 years $'000	Total $'000
2010			
Group			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	4,363	–	4,363
Finance lease liabilities	178	373	551
Floating rate			
Bank term loans	11,480	–	11,480
Company			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	572	–	572
Finance lease liabilities	57	115	172
Floating rate			
Bank term loans	10,300	–	10,300

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 2011		
Floating rate instruments	(112,774)	112,774
31 December 2010		
Floating rate instruments	(114,801)	114,801

26. Financial risk management (cont'd)

Company	Profit or loss 100 bp increase $	100 bp decrease $
31 December 2011		
Floating rate instruments	(105,000)	105,000
31 December 2010		
Floating rate instruments	(103,000)	103,000

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 reporting date.

Interest-bearing bank loans

The carrying value of interest-bearing bank loans that reprice within six months of the reporting 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 reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

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 statements of financial position as at 31 December, are presented in the following table:

	2011		2010	
Group	**Carrying amount $**	**Fair Value $**	**Carrying amount $**	**Fair value $**
Financial liabilities				
Finance lease liabilities	474,480	474,480	550,704	550,704
Bank term loans	11,277,363	11,277,363	11,480,104	11,480,104
	11,751,843	11,751,843	12,030,808	12,030,808
Unrecognised gain		–		–

26. Financial risk management (cont'd)

Company	2011 Carrying amount $	2011 Fair value $	2010 Carrying amount $	2010 Fair value $
Financial liabilities				
Finance lease liabilities	207,021	207,021	172,204	172,204
Bank term loans	10,500,000	10,500,000	10,300,000	10,300,000
	10,707,021	10,707,021	10,472,204	10,472,204
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 $10.9 million (2010: $11.2 million).

27. Commitments

At 31 December 2011, the Group and the Company have operating lease commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Payable:				
– Within 1 year	279,816	279,816	83,556	83,556
– After 1 year but within 5 years	142,013	421,829	76,593	160,149
	421,829	701,645	160,149	243,705

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except for the amendments to FRS 107 *Financial Instruments: Disclosures – Transfers of Financial Assets* which will become mandatory for the Group and the Company's financial statements for 2012. The adoption of these amendments would result in additional disclosures in the financial statements with respect to transferred financial assets that are not derecognised in their entirety, and transferred financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The adoption of these amendments would only affect the disclosures made in the financial statements. There will be no effect on the results and financial position of the Group and the Company. The Group does not plan to adopt these amendments early.

Statistics of Shareholders

As at 3 February 2012

Class of Shares : Ordinary shares
Voting Rights : One vote per share

Analysis of Shareholders

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 – 999	252	8.91	62,625	0.01
1,000 – 10,000	797	28.16	4,589,347	1.01
10,001 – 1,000,000	1,740	61.48	133,319,532	29.36
1,000,001 and Above	41	1.45	316,134,846	69.62
Total	**2,830**	**100.00**	**454,106,350**	**100.00**

Substantial Shareholders

		Shareholdings registered in the name of the substantial shareholders		Shareholdings held by substantial shareholders in the name of nominees	
Name of Substantial Shareholder		No. of Shares	%	No. of Shares	%
1.	Qian Hu Holdings Pte Ltd	109,000,000	24.00	–	–
2.	Yap Ah Seng Alvin*	15,804,552	3.48	–	–
3.	Yap Ah Siong Andy*	15,700,000	3.46	–	–
4.	Yap Kim Choon*	15,700,000	3.46	–	–
5.	Yap Kim Lee Kenny*	14,000,000	3.08	–	–
6.	Yap Hock Huat*	12,000,000	2.64	–	–
7.	Yap Ping Heng*	12,000,000	2.64	–	–
8.	Yap Kim Chuan*	6,021,994	1.33	9,678,006	2.13

* *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

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital
1.	Qian Hu Holdings Pte Ltd	109,000,000	24.00
2.	Yap Ah Seng Alvin	15,804,552	3.48
3.	Yap Ah Siong Andy	15,700,000	3.46
4.	Yap Kim Choon	15,700,000	3.46
5.	Yap Kim Lee Kenny	14,000,000	3.08
6.	Yap Hock Huat	12,000,000	2.64
7.	Yap Ping Heng	12,000,000	2.64
8.	Hong Leong Finance Nominees Pte Ltd	11,028,000	2.43
9.	Choo Chee Kiong	10,000,000	2.20
10.	Yap Hey Cha	8,325,000	1.83
11.	Phillip Securities Pte Ltd	7,573,479	1.67
12.	Wong Bei Keen	7,310,000	1.61
13.	Ang Kim Sua	6,894,000	1.52
14.	Yap Kim Chuan	6,021,994	1.33
15.	Tan Boon Kim	5,322,325	1.17
16.	Koh Guat Lee	5,304,971	1.17
17.	Lim Boo Hua	4,926,400	1.08
18.	Goh Siak Ngan	4,315,978	0.95
19.	Lim Peng Chuan	3,760,000	0.83
20.	Lim Geok Kiew	3,250,000	0.72
	Total	**278,236,699**	**61.27**

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, 41.91% of the issued share capital of the Company was held in the hands of the public as at 3 February 2012. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Thursday, 15 March 2012 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 2011 and the Auditors' Report thereon. **[Resolution 1]**

2. To declare a first and final dividend of 0.6 cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2011. **[Resolution 2]**

3. 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 3]**

4. To re-elect Mr Andy Yap Ah Siong, 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 Ms Sharon Yeoh Kar Choo, who is retiring by rotation in accordance with Article 88 of the Company's Articles of Association, as Director of the Company. **[See Explanatory Note (a)]** **[Resolution 5]**

6. To approve the sum of $75,000 as Directors' fees for the financial year ended 31 December 2011. (2010: $75,000) **[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

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

9. **General Mandate to authorise the Directors to issue shares or convertible securities**

"That pursuant to Section 161 of the Companies Act, Chapter 50 (the **"Act"**), the Articles of Association and the listing rules of the Singapore Exchange Securities Trading Limited (**"SGX-ST"**), authority be and is hereby given to the Directors of the Company to:-

(a) (i) allot and issue shares in the capital of the Company (**"Shares"**) (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements, or options (collectively, **"Instruments"**) that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force):

(i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the Directors while this Resolution was in force; and

(ii) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force or such additional Instruments in (b)(i) above, provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 15% of the Company's total number of issued Shares (excluding treasury shares, if any) (as calculated in accordance with sub-paragraph (2) below); and

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares, if any) 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 the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until 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 the earlier. **[See Explanatory Note (b)]** **[Resolution 8]**

10. **Renewal of Share Buyback Mandate**

"That:

(a) for the purposes of the Companies Act, Chapter 50 of Singapore (the **"Act"**), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (the **"Shares"**) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a **"Market Purchase"**) transacted through the SGX-ST's ready market or, as the case may be, on another stock exchange on which the Shares are listed, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchase(s) (each an **"Off-Market Purchase"**) effected pursuant to an equal access scheme (as defined in Section 76C of the Act) as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Act and the Listing Rules,

be and is hereby authorised and approved generally and unconditionally (the **"Share Buyback Mandate"**);

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

   (i) the date on which the next Annual General Meeting (**"AGM"**) of the Company is held or required by the law to be held;

   (ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied; or

   (iii) the date on which Share Buybacks are carried out to the full extent mandated;

(c) in this Resolution:

"Maximum Limit" means 10% of the Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period (as hereafter defined), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"Relevant Period" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

   (i) in the case of a Market Purchase, 105% of the Average Closing Price; and

   (ii) in the case of an Off-Market Purchase, pursuant to an equal access scheme, 120% of the Average Closing Price, where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days period; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. **[See Explanatory Note (c)]** **[Resolution 9]**

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
27 February 2012

Explanatory Notes:

(a) Ms Sharon Yeoh Kar Choo, 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. Ms Sharon Yeoh Kar Choo will be considered as an independent director of the Company.

(b) The ordinary resolution 8, under 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 15% of the total number of issued shares excluding treasury shares in the capital of the Company, as more particularly set out in the resolution.

(c) The ordinary resolution 9 under item 10 above, if passed, will renew the Share Buyback Mandate and will authorise the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2011 are set out in greater detail in the Appendix enclosed together with the Annual Report.

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 less than 48 hours before the time set for the Annual General Meeting.

Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 30 March 2012 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 29 March 2012 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 29 March 2012 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Thirteenth Annual General Meeting to be held on 15 March 2012, will be paid on 11 April 2012.

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
27 February 2012

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

- **By sending us an email through *investor@qianhu.com or feedback@qianhu.com***
- **By faxing us your feedback through 6766 3995**

We will look into all your questions and feedback and answer them during the AGM, provided that they reach us before 15 March 2012. A copy of the minutes of the AGM will be posted both on our website and 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 **15 March 2012**, 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.

This page is intentionally left blank.

QIAN HU CORPORATION LIMITED

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

PROXY FORM

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.

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 Thursday, 15 March 2012 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 2011		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Alvin Yap Ah Seng as director		
4	Re-election of Mr Andy Yap Ah Siong as director		
5	Re-election of Ms Sharon Yeoh Kar Choo as director		
6	Approval of directors' fees		
7	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
8	Authority to issue shares		
9	Renewal of Share Buyback Mandate		

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

Dated this ____________________ day of ____________________ 2012

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

Total Number of Shares Held

IMPORTANT

PLEASE READ NOTES OVERLEAF

Fold and seal here

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.

Fold and seal here

Affix Postage Stamp

The Company Secretary

QIAN HU CORPORATION LIMITED

No. 71 Jalan Lekar

Singapore 698950

Fold and seal here

QIAN HU 仟湖

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