QIAN HU CORPORATION LIMITED
COMPANY REGISTRATION NO.: 199806124N

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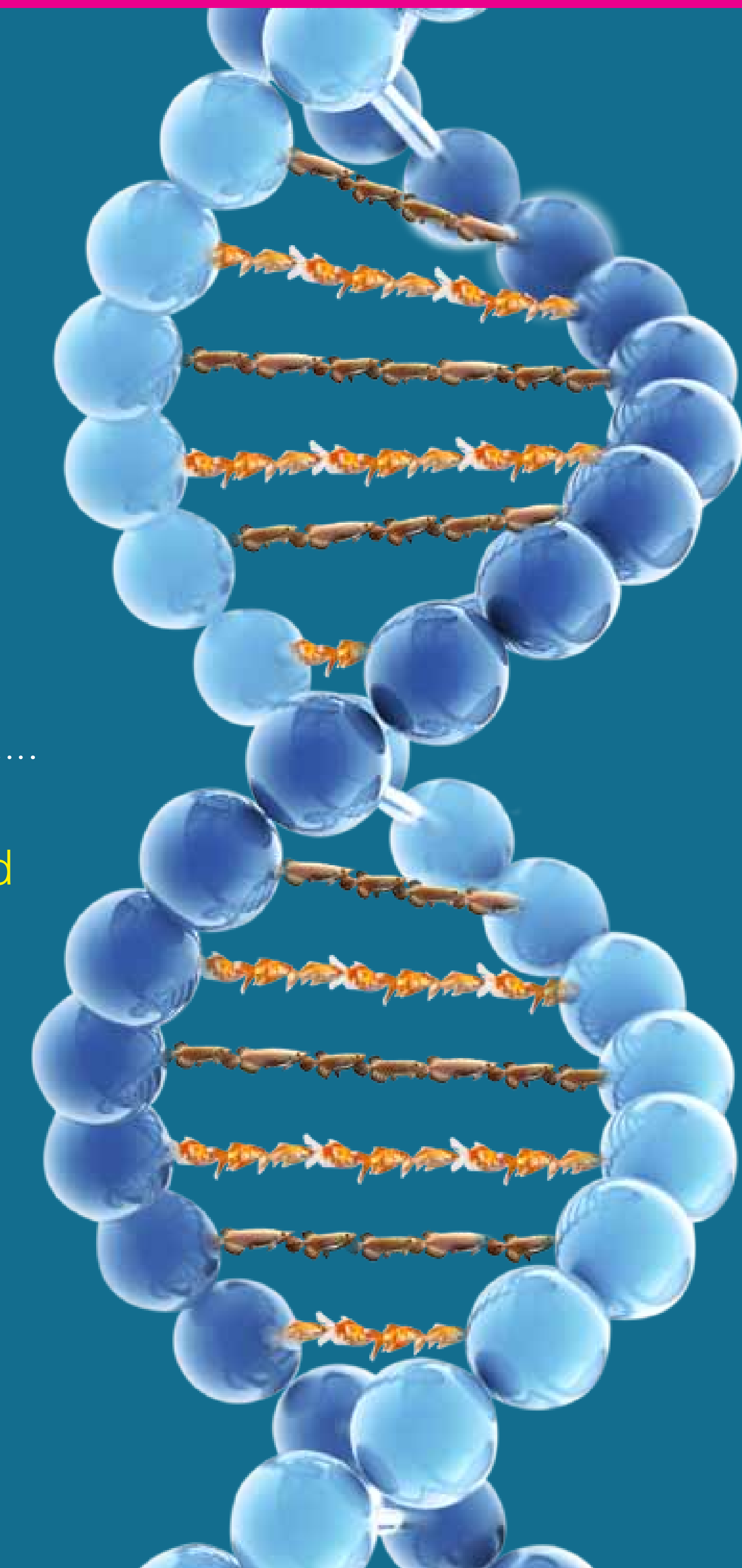
FISHY BUSINESS QIAN HU CORPORATION LIMITED ANNUAL REPORT 2013

QIAN HU CORPORATION LIMITED
ANNUAL REPORT 2013

FISHY BUSINESS



A NEXT GENERATION Ornamental Fish Company

Powered by TECHNOLOGY and INNOVATION

Hear how Chairman Kenny Yap plans to morph Qian Hu into a fish farm that thinks and acts like a technology company

- Page 8

AR-G1

AROWANA CARNIVOROUS PELLET

DAILY FEED / FLOATING TYPE

OF® AR-G1 is a premium Arowana carnivorous pelleted feed that excels in all grow-out conditions and functions. This revolutionary product from Qian Hu Arowana Nutrition Research is bio-formulated to boost health, growth and beauty of your Arowana. We have analysed the amino acid profile of Arowanas and blended this formulation especially for Arowanas. This feed contains purely digestible and absorbable aquatic animal protein that is easily metabolized by the Arowana carnivorous digestive system. Our formulation improves the palatability by 60%, you will only need very short acclimatization period. Only the finest ingredients are used to ensure that your Arowana receives nutrition of the highest quality.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Kenny Yap Kim Lee
Executive Chairman and Managing Director

Alvin Yap Ah Seng
Deputy Managing Director

Andy Yap Ah Siong
Deputy Managing Director

Lai Chin Yee
Finance Director

Tan Tow Ee
Independent Director

Chang Weng Leong
Independent Director

Sharon Yeoh Kar Choo
Independent Director

COMPANY SECRETARY
Lai Chin Yee

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

RISK MANAGEMENT COMMITTEE
Chairman
Tan Tow Ee

Members
Kenny Yap Kim Lee
Lai Chin Yee

REGISTERED OFFICE
No. 71 Jalan Lekar
Singapore 698950
Tel: (65) 6766 7087
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Website: www.qianhu.com

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

Audit Partner-In-Charge
Kum Chew Foong
(Appointed in Financial Year 2012)

SHARE REGISTRAR
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

PRINCIPAL BANKERS
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad
CIMB Bank Berhad
Bank Of China

INVESTOR RELATIONS
Kenny Yap Kim Lee
kenny_yap@qianhu.com

Ho See Kim
Tishrei Communications
seekim@tishrei.sg

EDITORIAL CONSULTANT
Ho See Kim
Tishrei Communications

CREATIVE CONSULTANT
Tan Wee Han
Equal Brand Design

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

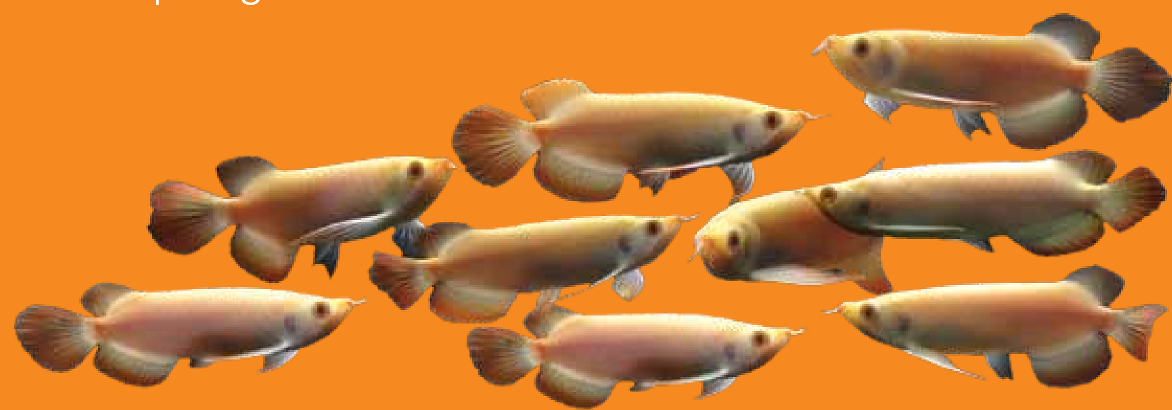
MORE THAN **80** COUNTRIES

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

JOURNEY OF INNOVATIONS

2003

Began Arowana DNA genotyping project with Temasek Life Sciences Laboratory. This resulted in Qian Hu having the most comprehensive data on the Asian Arowana which subsequently led to the creation of our "pedigree" Albino Violet Fusion Arowana.



2009

Our R&D department was expanded and renamed "Group Integrated R&D" to apply innovative R&D efforts to our core businesses – Ornamental Fish and Accessories.

COVER STORY

2010

Qian Hu co-developed the patented HYDROPURE technology with Zhongshan University in China which was applied to the series of HYDRA filtration units that make fish-keeping a breeze.

2012

Ocean Free's LUMI'Q aquarium won the Best New Aquaria Product at the PET EXPO 2012 in Australia.

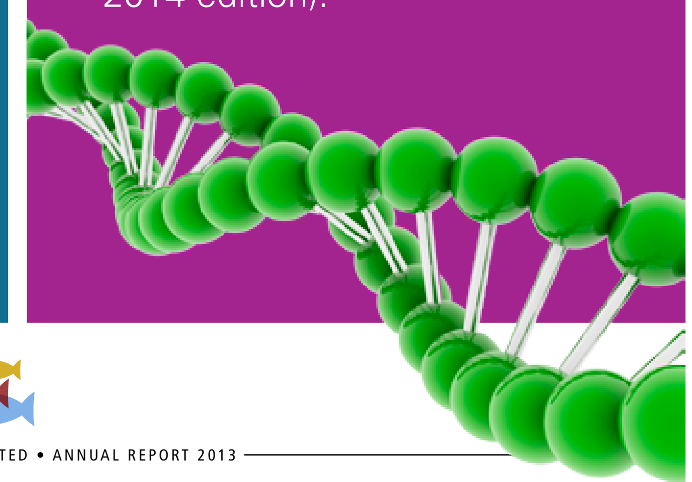
2013

Qian Hu won the Innovation Excellence Award at the Business Excellence Awards 2013 organised by SPRING Singapore.

Launch of AR-G1, a professional Arowana pellet that can totally replace live feed such as frogs and worms.

2014

Qian Hu published the world's first scientific paper on the genetic linkage map of the Asian Arowana – "The First Transcription and Genetic Linkage Map for Asian Arowana" in the Molecular Ecology Resources (January 2014 edition).



BETTER **BETTA!**

BETTA FLORA

Betta fish, commonly known as the Siamese fighting fish, will soon have a "designer" home, thanks to Qian Hu's product design and development experts.

Its new product - BettaFlora, a unique betta fish tank that incorporates hydroponics with fish keeping, allows the hydroponic plants to absorb the nutrients from the waste of the betta fish. At the same time, the tank has an overflow design that makes water changing easier then any conventional betta tanks. Plant lovers can also plant herbs and indoor plants in this betta tank.

Ideal for beginners and for office and small space environment. Available in black, white or blue, it retails at $32.

Another option for betta lovers would be the new BettaSpace which sports a unique LED light frame which can be attached to the top or the bottom of the tank. First in the world with dual options for betta illumination, BettaSpace retails for $30.

HYDRA STREAM, MAKING IT CLEARER!

With the successful launch of the HYDRA internal filters in 2012, Qian Hu has developed another state-of-the-art depurator – HYDRA STREAM.

A specialised aquarium depurator, it comes in three sizes to cater for different volume of water. Its main function is to remove all undesired toxic compounds to aquatic life and retains all the necessary nutrients in the water, which lessens the hassle of fish keeping. HYDRA STREAM does not just produce pure water, it produces "hydropure" water!

Prices range from $102 to $175.

FAST FOOD FOR AROWANAS

The days of feeding gruesome worms and cockroaches to your beloved pet Arowana are over.

Ocean Free, Qian Hu's proprietary brand of fish foods and accessories, has developed the AR-G1 Arowana Pellet Feed, which completely replaces live feed. Scientifically formulated to provide complete nutrition for the Arowana, the AR-G1 is the OptiAR which attracts the fish to eat the food readily.

Price ranges from $16 for a 250g pack to $43 for 1 kg.

UP NEXT
AR-G2 with natural colour enhancers!

CHAIRMAN'S STATEMENT

WE BELIEVE INNOVATION IS THE KEY TO UNLOCKING MORE VALUE FOR THE GROUP AND OUR STAKEHOLDERS.

My dear bosses,

Qian Hu is at the cross-road of transformation. In moving to our next level of growth, innovation has become a vital strategic thrust for Qian Hu, a key to our industry's long-term sustainability. Coupled with productivity, our strategy is to continue to drive growth, create opportunities in new markets, and continually improve our competitive edge. We need to have the ability to adopt unusual approaches to problems, thinking ahead of competition and anticipating market trends.

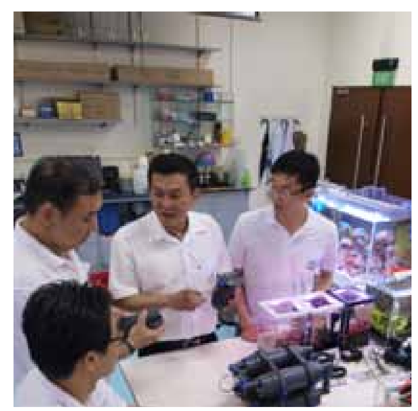
Beginning right here at our fish farm in Singapore, we will automate our farm operations which will eventually be rolled out to our regional fish hubs in Beijing, Shanghai, Thailand, Malaysia and Indonesia.

Already, we have achieved significant progress in our leading-edge Dragon Fish research which started in 2007. With our early mover advantage, we believe that Qian Hu will be the first Arowana farm in the world to genetically produce unique Dragon Fish in the next few years.

Clearly, the future ahead for Dragon Fish continues to be bright. In China, particularly, where Dragon Fish demand remains robust, Qian Hu aims to be the biggest distributor of Dragon Fish and other imported tropical fish, as well as one of the top three in accessories distribution.

Apart from China, all of our major hubs, such as Thailand, Malaysia and Indonesia will be centres of excellence in ornamental fish and accessories distribution. Our Indonesian subsidiary is progressing well and is well on its way to becoming one of the top three exporters in the next few years. With the sheer size of the Indonesian market, we are optimistic that all of our key markets in Asia will help to propel the Group's vision of becoming the world's number one exporter of ornamental fish.

On the accessories front, our goal is to export to more than 60 countries, and to spur global demand for our innovative products, the Group aims to develop at least four innovative products every year and establish Qian Hu as the most creative Asian accessories provider. We were very encouraged that our LUMI'Q series of new-generation fish tanks, with in-built docking stations and passive speaker systems, had won the Best New Aquaria Product at the PET EXPO 2012 in Australia.



Our subsidiary in India, Qian Hu Aquasstar, which manufactures aquarium tanks, is working hard at gaining significant market share in the Indian Subcontinent whilst Malaysia will soon build the largest pet retail chain store in the Peninsular.

Even our plastics operations will jump on the bandwagon of change, and develop the appropriate technology for producing environmentally sustainable plastics products, and be the leading one-stop plastics solutions provider in Singapore and the region.

For our initial efforts at implementing innovation throughout our operations, we are pleased to have the recognition of SPRING Singapore who awarded us the Innovation Excellence Award at the Business Excellence Awards 2013. This accolade endorses our strategy of transforming Qian Hu into a next-generation ornamental fish company powered by technology and innovation. It is indeed a timely encouragement for us!

The process in getting this Innovation Excellence Award was a difficult and challenging one, even though we had successfully participated and won the Singapore Quality Award (SQA) twice, and also won the People Excellence Award. In the last few years, we didn't dare apply for the Innovation Excellence Award because our journey in innovation had been wrought with bumps and uncertainties. It took a lot of trials and failures before we got things just right, and after many years of extensive R&D, I am so pleased that our efforts have finally paid off. Innovation really requires a lot of time, patience and determination.

We have always set out to build a company that lasts through the generations, not only in sustaining profitability, but placing a high priority on the various expectations of our stakeholders as well. We believe innovation is the key to unlocking more value for the Group and our stakeholders.

Thank you for your support!

Kenny The Fish
Executive Chairman &
Managing Director

主席的话

各位老板们，大家好：

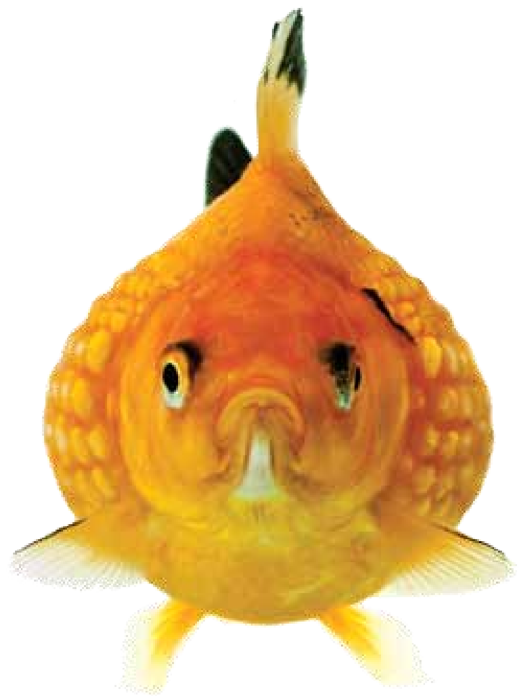
仟湖正处于转型的十字路口。在我们迈向另一层次的成长之际，创新已成为一个至关重要的战略重点，这也是我们业界长期可持续发展的关键。再加上生产力，我们的策略是持续推动增长、在新市场创造机会，不断地提高我们的竞争优势。我们需要有能力采取异乎寻常的方式来解决各样问题、有超前的思维来面对竞争和预测未来的市场趋势。

从我们在新加坡的鱼场开始，我们将启动自动化操作，并在成功实施后，在北京、上海、泰国、马来西亚和印度尼西亚的区域鱼场中心复制同一套策略。

我们从2007年开始的龙鱼的研究工作，已经取得显著的领先进展。有这先行的优势，我们相信在未来数年里，仟湖将会是世界首个以基因生产独特龙鱼的龙鱼养殖场。

很显然，龙鱼的发展前景依然是光明的。尤其是在中国，龙鱼的需求仍然保持强劲，仟湖致力成为在中国国内供应龙鱼与其他进口热带鱼的最大经销商，也同时成为水族器材的三大经销商之一。

除了中国，集团其他重要的经营中心如泰国、马来西亚和印度尼西亚，也将成为观赏鱼与水族器材的卓越经销中心。我们在印度尼西亚的子公司正顺利发展，并有望在未来数年里成为该国三大出口商之一。因着印度尼西亚庞大的市场，我们对我们在亚洲的重要市场抱持乐观的态度，它们将能更快地促使本集团成为世界第一大观赏鱼出口商的愿景。



在水族器材方面，我们的目标是能出口到超过60个国家，增进全球对我们的革新产品的需求，本集团旨在每年能够研发至少四种革新产品，使仟湖成为亚洲最具创意的水族器材供应商。我们的LUMI'Q系列——设有内置充电基座与无源扬声器系统的新一代鱼缸于2012年赢得澳大利亚国际宠物展会的最佳新产品奖，也激励我们继续奋进。

我们在印度专门生产鱼缸的子公司Qian Hu Aquasstar，正致力在印度成为一家能够抢占显著市场份额的公司。我们也即将在马来西亚建立最大的宠物零售连锁店网络。

我们的塑料业务也面对革新浪潮，全力开发出一种有利环境可持续发展的塑料品生产技术，并也将成为新加hi与本区域领先的一站式塑料供应商。

对于我们在整体业务实施创新所做的努力，我们欣然获得新加坡创新局的认可，颁予我们2013年卓越创新奖。这项荣誉认可我们透过技术与创新转型成为一家新世代观赏鱼公司的策略。对我们而言，这项鼓励正如同及时雨！

想要赢得这项创新奖的过程并不简单，也颇具挑战性，尽管我们早前已先后两次获得新加坡素质奖和一次人力卓越奖，但因为在创新的路途上还是充满颠簸与不确定，所以过去数年来，我们都不敢申请参于创新奖。经过了诸多的试验和失败，最终寻得正确的方向，再经历了多年来广泛的研发，我很高兴我们的努力终于得到了回报。创新确实是需要大量的时间，耐心和决心。

我们一直都着力于建立一家能持续经历几代人的公司，不单单能维持盈利，也会优先的考虑我们股东的各种期望。我们相信，创新是一把为集团和股东们开启更多价值的钥匙。

感谢你们一路来的支持。

叶金利
执行主席暨董事总经理

BOARD OF DIRECTORS

KENNY YAP KIM LEE, 48

EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR

First Class Honours degree in Business Administration, Ohio State University, USA

Date of first appointment as director: 12 December 1998
Date of last re-appointment as director: 15 March 2013
Length of services as director: 15 years
(as at 31 December 2013)

Served on the following Board Committees
- Executive Committee – Chairman
- Risk Management Committee – Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- AVA's Ornamental Fish Business Cluster - Chairman
- Singapore Quality Award Advisory Council - Member
- Action Community For Entrepreneur (ACE) - Member

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Founding member of Qian Hu
- Executive Chairman and Managing Director of the Group since 2000
- Corporate Governance Council - Council Member (2010-2012)

Awards
- Public Service Medal at the Singapore National Day Awards – 2004
- Ernst & Young's Entrepreneur of the Year – 2003
- Young Chinese Entrepreneur of the Year by Yazhou Zhoukan – 2002
- One of the 50 Stars of Asia by Business Week - 2001
- PSB/International Institute of Management's International Management Action Award - 2000
- Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year - 1999
- Singapore National Youth Award - 1998

BOARD OF DIRECTORS

ALVIN YAP AH SENG, 48

DEPUTY MANAGING DIRECTOR

Diploma in Mechanical Engineering, Singapore Polytechnic

Date of first appointment as director: 12 December 1998
Date of last re-appointment as director: 15 March 2012
Length of services as director: 15 years
(as at 31 December 2013)

Served on the following Board Committees
- Executive Committee – Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Founding member of Qian Hu
- Oversees the Group's aquarium and pet accessories operations

Awards
- Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year - 1999

ANDY YAP AH SIONG, 47

DEPUTY MANAGING DIRECTOR

Diploma in Business Studies, Ngee Ann Polytechnic

Date of first appointment as director: 12 December 1998
Date of last re-appointment as director: 15 March 2012
Length of services as director: 15 years
(as at 31 December 2013)

Served on the following Board Committees
- Executive Committee - Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Founding member of Qian Hu
- Oversees the Group's ornamental fish operations

Awards
- Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year - 1999

LAI CHIN YEE, 48

FINANCE DIRECTOR

Bachelor's degree in Accountancy, National University of Singapore
Fellow of the Institute of Singapore Chartered Accountants (ISCA)

Date of first appointment as director: 1 November 2004
Date of last re-appointment as director: 15 March 2013
Length of services as director: 9 years
(as at 31 December 2013)

Served on the following Board Committees
- Executive Committee – Member
- Risk Management Committee – Member

Present Directorships in other listed companies
- China Sports International Limited
- Ryobi Kiso Holdings Ltd

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- CCM Group Limited

Background and experience
- Responsible for the Group's accounting, finance, treasury and tax functions
- Joined the Group in 2000 as Group Financial Controller before assuming the current position as Finance Director in 2004
- Was an auditor with international accounting firms since 1987
- Ministry of Finance's Tax Advisory Committee - Member (2004-2006)
- Council on Corporate Disclosure and Governance (CCDG) - Council Member (2006-2007)
- CFO Committee of ISCA - Member (2009-2012)

Awards
- Chief Financial Officer of the Year - 2009 (Companies with less than $300 million in market capitalisation)

TAN TOW EE, 51

INDEPENDENT DIRECTOR

Honours degree in Finance, Ohio State University, USA

Date of first appointment as director: 1 May 2002
Date of last re- appointment as director: 11 March 2011
Length of services as director: 11 years
(as at 31 December 2013)

Served on the following Board Committees
- Audit Committee - Chairman
- Risk Management Committe - Chairman
- Nominating Committe - Member
- Remuneration Committee - Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Manages private funds and provides consultancy services
- More than 15 years working with international corporations as investment manager

BOARD OF DIRECTORS

CHANG WENG LEONG, 51

INDEPENDENT DIRECTOR

Masters of Science degree in Mechanical Engineering, National University of Singapore
Registered Principal Auditor, Institute of Quality Assurance (IRCA UK)

Date of first appointment as director: 18 October 2000
Date of last re- appointment as director: 15 March 2013
Length of services as director: 13 years
(as at 31 December 2013)

Served on the following Board Committees
- Remuneration Committee - Chairman
- Audit Committee – Member
- Nominating Committee – Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Principal Consultant of Alchemy Business Consultants
- Many years of management experience in quality management, environmental management, human resource and business.

SHARON YEOH KAR CHOO, 55

INDEPENDENT DIRECTOR

Associate Member of the Institute of Chartered Secretaries & Administrators, UK
Member of the Singapore Association of the Institute of Chartered Secretaries & Administrators (SAICSA)

Date of first appointment as director: 17 September 2011
Date of last re- appointment as director: 15 March 2012
Length of services as director: 2 years
(as at 31 December 2013)

Served on the following Board Committees
- Nominating Committee – Chairman
- Audit Committee – Member
- Remuneration Committee - Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Director of Corporate Secretarial Services at Corporate Alliance Pte. Ltd
- More than 20 years of experience in the corporate secretarial industry
- Worked in Coopers & Lybrand Hong Kong and Coopers & Lybrand Singapore, Evatthouse Corporate Services Pte Ltd and M & C Services Private Limited

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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 win prizes in international competitions.

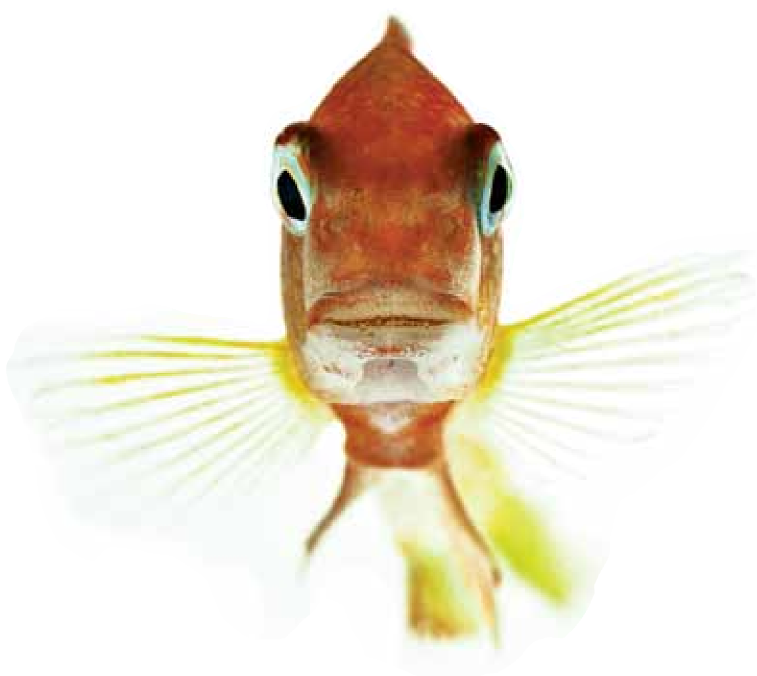
RAYMOND YIP CHEE WANG
Senior Manager, Group Human Resource
Mr Yip has been in human resource management for over 20 years, with diverse experiences working in various industries, including NTUC electronic sector unions, ship repair, hotel and trading companies. He joined the Group in 2003 to set up the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

LEE KIM HWAT
Managing Director
Qian Hu Tat Leng Plastic Pte Ltd
Mr Lee has been overseeing and managing the operations and business development of Qian Hu Tat Leng for more than 20 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 holds a patent to a novel technology in water filtration which is now translated to various filtration products in the company. He has authored a book in the Asian Cichlasoma species and has eight scientific papers to his name in internationally peer reviewed journals.



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

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 28 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 esteemed brands of accessories for the Indian 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 subsidiaries in Thailand and Indonesia. Prior to his current appointments, 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 its day-to-day operations.

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

90%
P.T. Qian Hu Joe Aquatic Indonesia
JL. Raya Brantamulya Tengsaw No. 9 Tarik Kolot, Kecamatan Citeureup Bogor – Indonesia 16810

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

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

49%
NNTL (Thailand) Limited
30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand
(The Group has voting control at general 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

FINANCIAL **CALENDAR**

2013

11 JANUARY
FY 2012 Full year results announcement (with media and analysts briefing)

15 MARCH
Annual General Meeting

11 APRIL
Payment of dividend

18 APRIL
1Q 2013 results announcement

18 JULY
2Q 2013 results announcement (with media and a nalysts briefing)

17 OCTOBER
3Q 2013 results announcement

2014

10 JANUARY
FY 2013 Full year results announcement (with media and analysts briefing)

18 MARCH
Annual General Meeting

15 APRIL
Payment of dividend (Subject to Shareholders' approval at AGM)

15 APRIL
1Q 2014 results announcement

15 JULY
2Q 2014 results announcement (with media and analysts briefing)

15 OCTOBER
3Q 2014 results announcement

PROSPECTS REPORT

Qian Hu's long-term goal is to double its global market share of ornamental fish exports to an impressive 10%.

Top ornamental fish exporter Qian Hu is on track to achieving its long-term goal of doubling its global market share of ornamental fish exports to an impressive 10%.

This, the Group believes, is achievable as its key export hubs in Singapore, Malaysia, Thailand and Indonesia already supply between 60% to 70% of the world's ornamental fish to more than 80 countries.

Indeed, ornamental fish will continue to be an important business segment of the Group, and Qian Hu will work relentlessly to increase its export footprint to more than 100 countries, focusing on high-growth regions of the Middle East, Eastern Europe, China and India.

With the stabilization of Dragon Fish prices, Qian Hu sees continued growth potential for the Asian Arowana in North Asia, particularly China, where the Qian Hu brand is enjoying considerable recognition.

Says Qian Hu chief Kenny Yap, "Qian Hu is known for our advanced research in Dragon Fish breeding, and coupled with our strong marketing capabilities in Southeast Asia and China, we believe that we will conquer more markets and do better than our competitors."

Gaining strong growth momentum is also its Accessories segment. With an export footprint of about 40 countries currently, this segment is expected to double its market coverage in the longer term. This, Qian Hu aims to do by cross selling its aquarium and pet accessories in its deeply entrenched ornamental fish distribution channels across the globe.

Its LUMI'Q series of new generation fish tanks – a product of its intensive R&D efforts – have scooped industry accolades. Qian Hu has indicated that moving ahead, innovation will continue to be its engine of growth.

Accessories segment expected to double market coverage in the longer term

EYE ON INNOVATION

Its R&D team has identified three strategic directions which will see Qian Hu being the first and only automated fish operations in the world.

Firstly, it will fully leverage on its patented aquatic water purification technology called HYDROPURE, which the Company has been developing for the past five years. Leveraging on HYDROPURE's unique capability in keeping the fish tank clean and fuss-free, the hassle of fish keeping is kept to a bare minimum. Qian Hu has developed a range of new-generation aquarium accessories based on this technology such as Ocean Free's range of LUMI'Q aquariums. The Group will continue to enhance the commercial applications of this revolutionary technology.

The benefit of HYDROPURE's technology is not limited to the hobbyists' fish tanks. Qian Hu sees wider application at the industry level. In 2014, Qian Hu's fish farm in Singapore will begin its transformation into a fully-automated fish facility using its proprietary HYDROPURE filtration system, boosting productivity and service quality to new heights. When successfully implemented, this automated system will be replicated to the Group's other fish hubs in Thailand, China, Malaysia and Indonesia.

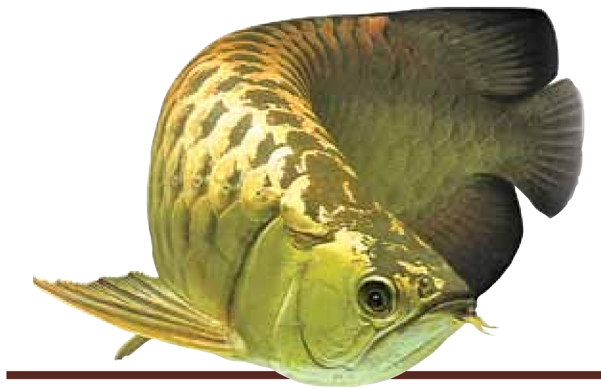
The second research direction is in the area of fish nutrition and the Company's R&D team has developed cutting-edge fish foods that are so nutrition packed that they can totally replace traditional live feeds such as tubifex or blood worms, crickets and feeder fish.

Thirdly, Qian Hu will continue to develop its leading-edge Dragon Fish research. Just recently in January 2014, Qian Hu was the first fish farm in the world to have its research paper published in an internationally-acclaimed scientific publication, "Molecular Ecology Resources". With such progress made in its Dragon Fish research, Qian Hu believes that it will be first Dragon Fish farm in the world to have the unique capability of genetically producing unique varieties of Dragon Fish that will excite the market in the next few years.

IN FOR THE LONG-TERM

"We are in the business of building a company that lasts through the generations. Our business model is now more robust and its diversity puts us in good standing. We will be more aggressive in strengthening our fundamentals, financial position and our ability to generate cash through our operations. By tapping on innovation and advanced technology to transform Qian Hu into a next-generation ornamental fish company with a strong pipeline of innovative accessories products, we believe that Qian Hu will be even more resilient and sustainable in the long run," Kenny added.

Meanwhile, for FY 2014, the Group sees another year of topline growth and profitability.



Moving ahead, innovation will continue be its engine of growth, focusing on 3 specific areas - filtration technology, nutrition and Dragon Fish

QIAN HU BLAZES THE TRAIL WITH **INNOVATION EXCELLENCE AND BEST MANAGED BOARD AWARDS IN 2013**

Qian Hu, known for blazing the trail in corporate governance and transparency, has clinched the SPRING Singapore Innovation Excellence Award in 2013 awarded by the SQA Governing Council.

This is the first time that Qian Hu has won this award - a timely moment when the Group is undergoing a major transformation to automate its ornamental fish operations in Singapore. In the next two years, Qian Hu Fish Farm will truly be a high-technology fish farm.

Since 2009, the Group had set up an R&D team which achieved significant progress in Dragon Fish research and is on track to position Qian Hu as the first Dragon Fish farm in the world to genetically produce unique Dragon Fish in the next few years. Its leading-edge research has also been published in the scientific journal, "Molecular Ecology Resources".

Its R&D team is now developing new filtration and tank systems using its patented HYDROPURE technology as well as cutting-edge fish nutrition products.

On 7 August 2013, Qian Hu won, for the fifth time since 2003, the Best Managed Board Award at the Singapore Corporate Awards – the equivalent of the Oscars of Singapore-listed companies. This time around, it received the bronze award for the category comprising companies with less than $300 million in market capitalization.

Said Kenny Yap, "The role of the board has indeed changed over the years – currently there is a growing focus on protecting minority interest and board diversity. I always believe that a well-managed board is all about protecting the interest of the Company so that it can be sustainable – it must be transparent, fair and consistent. A professionally-run board, with directors who possess relevant and diverse knowledge, will also be able to ensure that it continues to maintain a strategic balance."

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

People Excellence Award -
Awarded by SQA Governing Council, SPRING Singapore

Singapore Quality Award -
Awarded by SQA Governing Council, 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)

2012
Singapore Sustainability Awards -
Awarded by Singapore Business Federation - Top Honours (Small & Medium Enterprise)

Singapore Corporate Awards -
Best Annual Report (Gold - Companies with less than $300 million in market capitalisation)

Service Excellent (Silver Award) -
Awarded by Spring Singapore

2013
Singapore Corporate Awards -
Best Managed Board Award
(Bronze - Companies with less than $300 million in market capitalisation)

Midas Touch Asia Enterprise Award 2013 -
Awarded to enterprises in Asia Pacific which have the potential for exponential growth in the next decade

Innovation Excellence Award -
Awarded by SQA Governing Council, SPRING Singapore

SIAS Singapore Corporate Governance Award -
Awarded by Securities Investors Association (Singapore) - Merit in Small Caps Category

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.

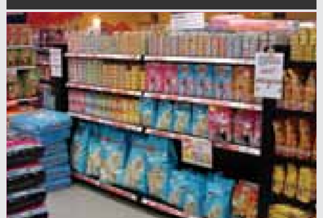
1985

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

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.

1999



Expanded the accessories distribution to Malaysia, China and Thailand.

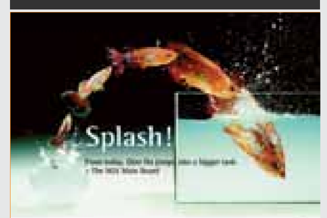
2000

The year Qian Hu became a public listed company!

2001

Established Guangzhou as our manufacturing hub for aquarium accessories.

2002



Transferred to Mainboard of the Singapore Exchange.

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.

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.

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.

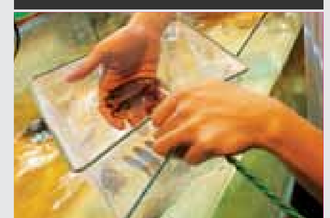
1995

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

1997

Launched auto-packing machinery for packing of fish.

2003



Acquired Kim Kang Aquaculture – a leading Dragon Fish breeder in Malaysia. Awarded the International Headquarters status by 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.

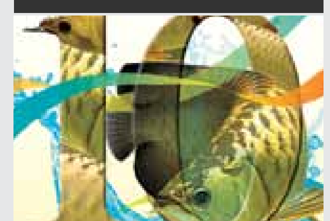
2005

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

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.

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.

2012

- Divested Qian Hu's 65% stake in Kim Kang Aquaculture
- Qian Hu's LUMI'Q series of new-generation fish tanks won the Best New Aquaria Product at the PET EXPO 2012 in Australia

2013

INNOVATION EXCELLENCE AWARD 2013 WINNER

Wining the Innovation Excellence Award heralds the transformation of Qian Hu using high technology and the advanced productivity initiatives

FISHY QUOTES 2013

Kenny Yap's legendary fishy quotes for the last ten years are now available in a single compilation.

Every year, he comes up with 12 sayings about a certain topic that are used in Qian Hu's calendars, mainly distributed to business associates, media, shareholders and customers.

He calls them – Fishy Quotes – after all, they are the brainchild of Kenny The Fish!

He gives us a sneak preview into the theme for Calendar 2014: "As the population ages, one cannot run away from dealing with growing old, and I hope that this series of fishy quotes will inspire all of us to understand those who are growing old":

01

Being old is not scary; feeling old is.

02

If you don't want to work till you are very old, then you must make sure you work harder when you are young.

03

When we were young,

our parents took care of us. When they grow old, it is our turn to take good care of them.

04

Old people often say to the younger generation

"WE HAVE EATEN MORE SALT THAN YOU HAVE EATEN RICE".

No wonder older people tend to have high blood pressure!

05

Old people often wish that their children can keep them company. Their children, however, prefer to keep their own children company.

06

Love your parents so that your children will love you the same.

07

I love old people because I'm sure I'll love myself when I get old.

10

MY MUM IS 84 YEARS OLD THIS YEAR and she keeps forgetting things. But one thing is for sure – we have not forgotten to love her.

12

When a child is unruly, we must correct his behavior. When old people are unreasonable, we must forgive them.

08

If you want to avoid feeling old, then spend more time with younger people.

09

Old people tend to forget things, but their children tend to forget them.

11

Those who object to having a nursing home in their backyard should not stay in a nursing home when they need to.

GROUP FINANCIAL HIGHLIGHTS

	2013	2012	2011	2010	2009
For the year ($'000)					
Revenue	83,462	84,443	88,341	91,163	94,611
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	3,431	(5,499)	7,472	8,653	12,776
Operating Profit (Loss)	954	(8,683)	4,151	5,299	9,440
Net Profit (Loss) attributable to equity holders	302	(9,137)	3,466	4,209	6,544
Operating Cashflow	3,675	3,584	1,653	4,057	12,238
Capital Expenditure	1,969	1,633	2,091	1,512	8,214
At year end ($'000)					
Total Assets	75,887	77,942	105,945	107,409	103,767
Total Liabilities	24,892	23,822	32,321	34,379	34,547
Shareholders' Funds	49,509	52,529	63,433	62,723	59,226
Cash and Cash Equivalents	6,712	8,272	8,606	11,691	9,847
Key ratios					
Revenue growth (%)	(1.2%)	(4.4%)	(3.1%)	(3.6%)	1.7%
Net Profit growth (%)	103.3%	(363.6%)	(17.7%)	(35.7%)	8.3%
Net Profit margin (%)*	0.7%	0.1%	3.0%	4.6%	6.9%
Debt-to-equity ratio (times)	0.49	0.44	0.44	0.47	0.50
Return on Shareholders' Funds (%)	0.6%	(17.4%)	5.5%	6.7%	11.0%
Return on Total Assets (%)	0.4%	(11.7%)	3.3%	3.9%	6.3%
Per share information (cents)					
Earnings per share	0.07	(2.01)	0.76	0.93	1.48
Net Assets per share	11.23	11.92	16.21	16.08	16.4
Dividend per share - ordinary	0.10	0.20	0.60	0.50	0.50
- special	0.50	-	-	-	
Market capitalisation ($'million)					
at close of business on the first trading day after the announcement of audited results	39.05	42.23	42.69	59.03	74.02

* excluded the gain or loss on disposal of subsidiary and impairment loss on investment in an associate

VALUE-ADDED STATEMENT

	2013 $'000	2012 $'000
Revenue earned	83,462	84,443
Less: Purchase of goods	(67,088)	(67,254)
Gross value-added from operations	**16,374**	**17,189**
Other income (expenses)	204	(9,081)
Exchange gain	988	320
Share of losses of associates	(97)	(77)
Total value-added	**17,469**	**8,351**
Distribution:		
To employees in salaries and other related costs	12,825	12,956
To government in corporate and other taxes	887	917
To providers of capital:		
- Interest paid on borrowings from banks	247	388
Retained for re-investment and future growth		
- Depreciation and amortisation	2,147	2,742
- Accumulated profits (losses)	302	(9,137)
- Non-controlling interests	261	(23)
Non-production cost and income:		
- Bad trade receivables and allowance for doubtful trade receivables	785	508
- Allowance for inventory obsolescence	15	-
Total distribution	**17,469**	**8,351**

PRODUCTIVITY DATA	**2013**	**2012**
Number of employees	504	515
Value-added per employee ($'000)	35	16
Value-added per $ of employment cost	1.36	0.64
Value-added per $ sales	0.21	0.10
Value-added per $ of investment in property, plant and equipment	0.52	0.26

OPERATING AND **FINANCIAL REVIEW**

BUSINESS REVIEW

Qian Hu is an integrated "one-stop" ornamental fish service provider ranging from breeding of Dragon Fish, farming, importing, exporting and distributing of ornamental fish as well as 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 2013, the Group recorded revenue of $83.5 million, of which approximately 85% was contributed by the core businesses (Ornamental Fish and Accessories), while Plastics contributed the remaining 15%. The Accessories business accounted for the bulk of the Group's operating profit at 51%, compared to 26% from Ornamental Fish and 23% 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 and Cold Storage. 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 has a factory in Chennai (India) dealing with the manufacture of fish food and fish tanks.

In addition, since 2004, Qian Hu started penetrating the retail market with a chain store concept, "Qian Hu – The Pet Family", in a bid to professionalise a highly fragmented and niche industry. As at 31 December 2013, it has 10 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

The manufacturing of plastic bags, used in the packing of ornamental fish, is an ancillary business of the Group. Located in Woodlands, its factory also produces plastics bags for third-party customers in the ornamental fish, food and electronics industries.

FINANCIAL REVIEW

Revenue – Decreased by approximately $1.0 million or 1.2% mainly due to the disposal of one of the subsidiaries, Kim Kang Aquaculture Sdn Bhd, ("Kim Kang"), in the 4th quarter of 2012 and the overall reduction in the revenue from Dragon Fish sales as a result of the intense price competition caused by the oversupply of Dragon Fish which has resulted in a swift decline in its selling price. The Group has since focused on selling more quantity of these fish, as the selling prices of these fish have stabilised by the end of 1st half 2013, mainly to the Northeast Asian markets, especially China, to circumvent the depleting revenue generated from the ornamental fish business.

The reduction in ornamental fish revenue was partially offset by the higher revenue generated from the plastics business segment due to an enlarged customer base and the sale of more varieties of plastic products.

Gross profit – Decreased by $1.2 million or 4.6% mainly due to decrease in revenue generated, coupled with lower gross profit margin registered as a result of differences in sales mix during the financial year.

Other income (expenses) – In FY 2012, it mainly comprised of loss on disposal of a subsidiary of approximately $9.1 million arising from the disposal of the Group's entire equity interest in Kim Kang in the 4th quarter of 2012.

Profit (Loss) before tax – Excluding the loss arising from the disposal of a subsidiary as mentioned above, the overall retrieval in profitability in FY 2013 was mainly due to the recuperation of profit margins from the ornamental fish business segment as the selling prices of Dragon Fish stabilised by the end of 1st half of 2013.

With the disposal of Kim Kang in the 4th quarter of 2012, operating expenses decreased accordingly in FY 2013. The reduction is partially offset by higher personnel expenses incurred as a result of annual salary revision as well as the broad-spectrum increase in operating costs as a result of elevated inflationary pressure.

Tax expense – Despite the 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, the effective tax rate registered in FY 2013 was higher than the statutory tax rate of 17% mainly due to the varying statutory tax rates of different countries in which the Group operates and that there were higher profit contribution from entities with a higher tax rate.

Profit (Loss) attributable to equity holders of the Company – Improved significantly as a result of better margins from its operating activities, with no one-off investment loss as a results of the divestment in a subsidiary as well as impairment loss incurred in relation to the investment in an associate as in FY 2012. Net profit margin improved from 0.1% to 0.7%.

INCOME STATEMENT

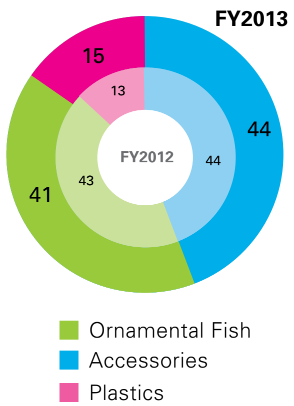
	2013 $'000	2012 $'000	Change %
Revenue			
- Ornamental Fish	34,562	36,280	(4.7)
- Accessories	36,680	36,874	(0.5)
- Plastics	12,220	11,289	8.2
Total revenue	**83,462**	**84,443**	**(1.2)**
Less : Cost of sales	(59,257)	(59,062)	0.3
Gross profit	**24,205**	**25,381**	**(4.6)**
Add : Other income (expenses)	204	(9,081)	102.2
Less : Operating expenses	(23,358)	(24,906)	(6.2)
Operating profit (loss)	1,051	(8,606)	112.2
Add : Share of losses of associates	(97)	(77)	26.0
Profit (Loss) before tax	**954**	**(8,683)**	**111.0**
Less : tax expense	(391)	(477)	(18.0)
Profit (Loss) for the year	**563**	**(9,160)**	**106.1**
Profit (Loss) Attributable to:			
Equity holders of the Company	**302**	**(9,137)**	**103.3**
Non-controlling interests	261	(23)	NM
Profit (Loss) for the year	**563**	**(9,160)**	**106.3**

NM - Not Meaningful

Operating and Financial Review (cont'd)

REVENUE

REVENUE BY BUSINESS ACTIVITIES
(%)

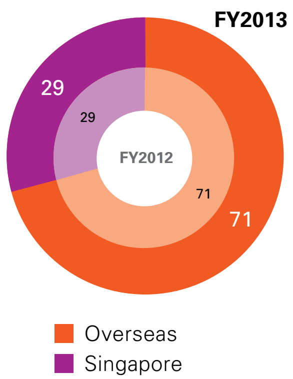


	Financial year ended 31 Dec 2013 $'000	2012 $'000	Increase (Decrease) $'000	%
Ornamental Fish	34,562	36,280	(1,718)	(4.7)
Accessories	36,680	36,874	(194)	(0.5)
Plastics	12,220	11,289	931	8.2
	83,462	**84,443**	**(981)**	**(1.2)**

The Group's revenue decreased by approximately $1.0 million or 1.2% from approximately $84.4 million for the year ended 31 December 2012 to $83.4 million for the year ended 31 December 2013.

On a geographical basis, revenue from Singapore and overseas dipped marginally by 2.2% and 0.7% respectively in the FY 2013 as compared to FY 2012.

REVENUE BY GEOGRAPHICAL LOCATION
(%)



ORNAMENTAL FISH
The reduction in our ornamental fish revenue by approximately $1.7 million or 4.7% in FY 2013 as compared to FY 2012 was mainly due to the decrease in revenue contribution following the disposal of Kim Kang in the 4th quarter of 2012, coupled with the tumbling selling prices of Dragon Fish as a result of the oversupply of Dragon Fish since the previous financial year. Following the stablisation of the selling prices of Dragon Fish by the end of the 1st half of 2013, coupled with the enhanced marketing effort, the Group has managed to sell more quantities of these fish during the current financial year mainly to our Northeast Asian markets, especially China, where it has a robust market share, a widening distribution network and a strong brand identity.

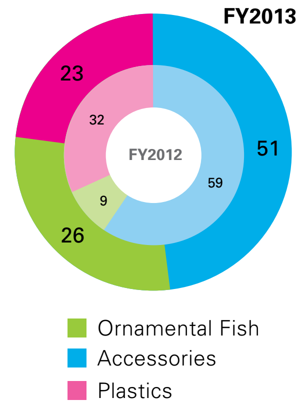
In addition, the revenue contribution from its newly incorporated subsidiary in Indonesia, as well as the continuous effort to increase the export of ornamental fish to more customers and countries around the world have given rise to higher ornamental fish revenue.

ACCESSORIES
The accessories export business continued to leverage on the Group's existing overseas distribution bases & network to explore more untapped markets with growth potential. The slight reduction in revenue from the accessories business by approximately $0.2 million or 0.5% from $36.9 million in FY 2012 to $36.7 million in the current financial year was mainly as a result of difference in sales mix, as well as the Group's conscientious efforts made to focus on selling the Group's proprietary brand of innovative products.

PLASTICS
The plastics business segment has registered an increase in revenue of $0.9 million or 8.2% in the current financial year as compared to FY 2012 as it stays focused on generating revenue through enlarging the customer base and selling more varieties of plastic products.

PROFITABILITY

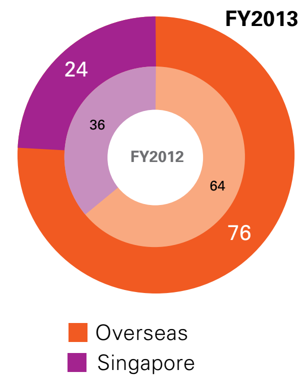
PROFIT BY BUSINESS ACTIVITIES
(%)



	Financial year ended 31 Dec 2013 $'000	2012 $'000	Increase (Decrease) $'000	%
Ornamental Fish	826	254	572	225.2
Accessories	1,606	1,717	(111)	(6.5)
Plastics	713	939	(226)	(24.1)
Unallocated corporate expenses	(2,191)	(2,309)	118	5.1
	954	**601**	**353**	**58.7**
Loss on disposal of a subsidiary	-	(9,062)	9,062	
Impairment loss on investment in an associate	-	(222)	222	
	954	**(8,683)**	**9,637**	**111.0**

Despite the marginally lower revenue contribution registered, the operating profit increased by approximately $0.4 million or 58.7% from approximately $0.6 million in FY 2012 to $1.0 million in FY 2013. Profit after taxation attributable to equity holders amounted to $0.3 million for the year ended 31 December 2013. The accessories business segment was the main profit contributor in the current financial year.

PROFIT BY GEOGRAPHICAL LOCATION
(%)



ORNAMENTAL FISH
As a result of the swift decline in the selling prices of Dragon Fish since the previous financial year due to its oversupply, coupled with the gradual increase in overall operational costs and the Group's thorough efforts made to expand market share, it has sliced off some profitability from the ornamental fish business as profit margins from the sales of these fish were dilapidated. Nonetheless, the profit margins from this business segment has recuperated in the current financial year as the selling prices of these fish has stabilised by the end of the 1st half of 2013.

The above, coupled with the reliance and resilience of our ornamental fish export business has resulted in the retrieval of its profitability by approximately $0.6 million from approximately $0.3 million in FY 2012 to $0.8 million in FY 2013.

ACCESSORIES
Although the accessories export business continued to turn in stable revenue in FY 2013, the difference in sales mix, as well as the Group's on-going efforts to capture market and to focus on selling more of its proprietary brand of innovative products have affected the profit margins of the accessories business to register an operating profit of $1.6 million in FY 2013, which was marginally lower as compared to that of FY 2012.

PLASTICS
While the revenue contribution from our plastics activities has increased on a year-on-year basis, the higher raw material (resins) prices, coupled with the gradual increase in overall operational costs, as well as the conscientious and on-going efforts made to expand market share have sliced off some profitability from this business segment.

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. The lower corporate expenses reported in FY 2013 as compared to FY 2012 were mainly due to conscientious effort made to contain operating costs, which was in accordance with the Group's objective to be more productive and efficient in the long run.

Operating and Financial Review (cont'd)

FINANCIAL POSITION

Total assets – Decreased by $2.1 million as at 31 December 2013. Decrease in property, plant & equipment and brooder stocks were due to the depreciation charge for the financial year. Decrease in cash and cash equivalents were due to the utilisation of funds generated from operations for on-going enhancement to farm facilities and the payment of dividends to shareholders. Decrease in trade and other receivables due to the receipt of the first instalment of cash proceeds in relation to the disposal of Kim Kang. The above reduction was partially offset by the increase in inventories due to additional purchases of Dragon Fish made in anticipation of increasing demand in the coming quarters.

Total liabilities – Increased by $1.1 million as at 31 December 2013 mainly due to increase in trade and other payables as a result of extended credit granted by the regular suppliers for purchases made during the financial year. The increase was partially offset by the marginal reduction in borrowings and tax liabilities as at 31 December 2013.

Shareholders' funds – Decreased from $52.5 million as at 31 December 2012 to $49.5 million as at 31 December 2013. The decrease was mainly attributed to the payment of dividends to shareholders of the Company in April and November 2013.

Non-controlling interests – Decreased from $1.6 million as at 31 December 2012 to $1.5 million as at 31 December 2013 as the profit contributions from the non-wholly owned subsidiaries for the financial year was offset by the payment of dividends from one of these subsidiaries.

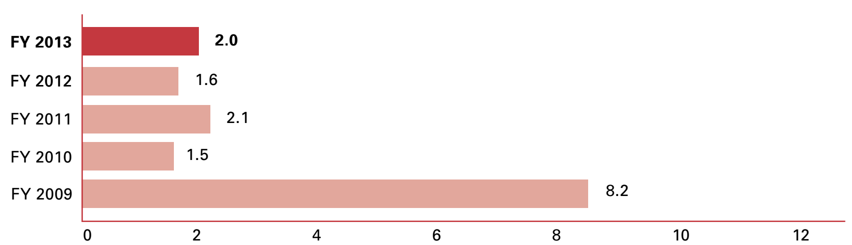
	2013 $'000	2012 $'000	Change %
Total Assets	**75,887**	**77,942**	**(2.6)**
- Property, plant and equipment	7,062	7,123	(0.9)
- Brooder stocks	8,745	8,934	(2.1)
- Inventories	16,708	16,420	1.8
- Trade and other receivables	35,326	35,815	(1.4)
- Cash and cash equivalents	6,712	8,272	(18.9)
Total Liabilities	**24,892**	**23,822**	**4.5**
- Trade and other payables	11,024	9,570	15.2
- Tax liabilities	843	928	(9.2)
- Bank borrowings	13,026	13,295	(2.0)
Total Shareholders' funds	**49,509**	**52,529**	**(5.7)**
Total Non-controlling interests	**1,485**	**1,591**	**(6.7)**

CAPITAL EXPENDITURE

In FY 2013, capital expenditure incurred was mainly for the enhancement of infrastructure and construction work undertaken by the Singapore and overseas on the farm facilities.

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

CAPITAL EXPENDITURE ($'million)



CAPITAL STRUCTURE AND 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 equivalent 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 2013, 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 $20.4 million of which $12.7 million was utilised.

CASH AND CASH EQUIVALENTS

Overall, the Group's cash and cash equivalents decreased by approximately $1.6 million in FY 2013 to $6.7 million as compared to approximately $8.3 million a year ago.

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

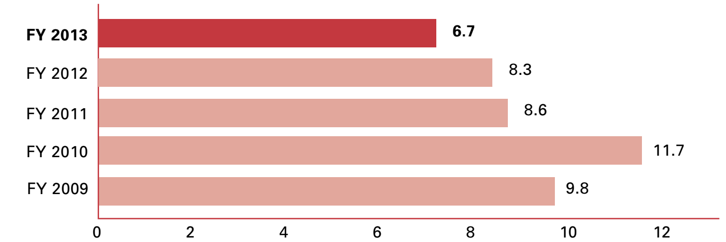
Notwithstanding that the trade receivables balance has increased in accordance with the higher credit sales generated in the current financial year, the increase in the Group's **net cash from operating activities** in FY 2013 as compared to FY 2012 was mainly due to profit generated during the financial year as well as the first instalment payment received in relation to the disposal of Kim Kang. In addition, the Group was able to extend its credit terms with its regular suppliers for purchases made.

Net cash used in investing activities was mainly related to capital expenditure incurred for on-going enhancement to the infrastructure and farm facilities in Singapore and overseas. In addition, there was cash of approximately $106K utilised for the acquisition of an additional 35% equity interest in the Indonesian subsidiary from one of its non-controlling shareholders.

During the current financial year, there were cash proceeds received from a major shareholder of the Company which were utilised for the payment of dividends to the non-controlling shareholder of a subsidiary, 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 dividends to the shareholders of the Company in April and November 2013, has resulted in **net cash used in financing activities.**

	2013 $'000	2012 $'000
Net cash from operating activities	3,675	3,584
Net cash used in investing activities	(1,876)	(1,551)
Net cash used in financing activities	(3,348)	(2,178)
Net decrease in cash and cash equivalents	(1,549)	(145)
Cash and cash equivalents as at end of year	**6,712**	**8,272**

CASH AND CASH EQUIVALENTS ($'million)



Operating and Financial Review (cont'd)

BORROWINGS

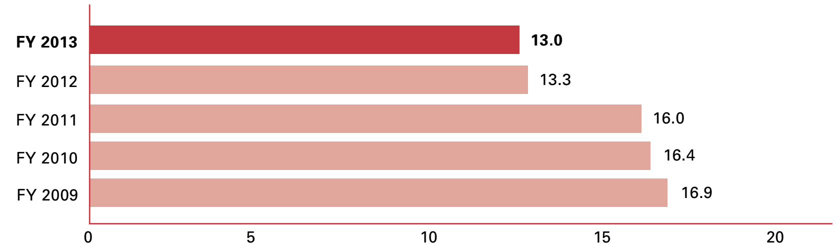
The Group borrows from local and foreign banks in the form of short-term loans. All of the Group's borrowings are unsecured. The Group is in compliance with all borrowing covenants for the financial year ended 31 December 2013.

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

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.21% to 1.68% (2012: 1.23% to 1.50%) per annum and are repayable within the next 12 months from the reporting date.

	2013 $'000	2012 $'000
Current liabilities:		
Bills payable to banks	700	884
Finance lease liabilities	132	157
Short term bank loans	12,000	12,000
	12,832	13,041
Non-current liabilities:		
Finance lease liabilities	194	254
Total borrowings	**13,026**	**13,295**

BORROWINGS
($'million)



CORPORATE GUARANTEES

As at 31 December 2013, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $1.6 million (2012: $8.8 million).

SHAREHOLDER RETURNS

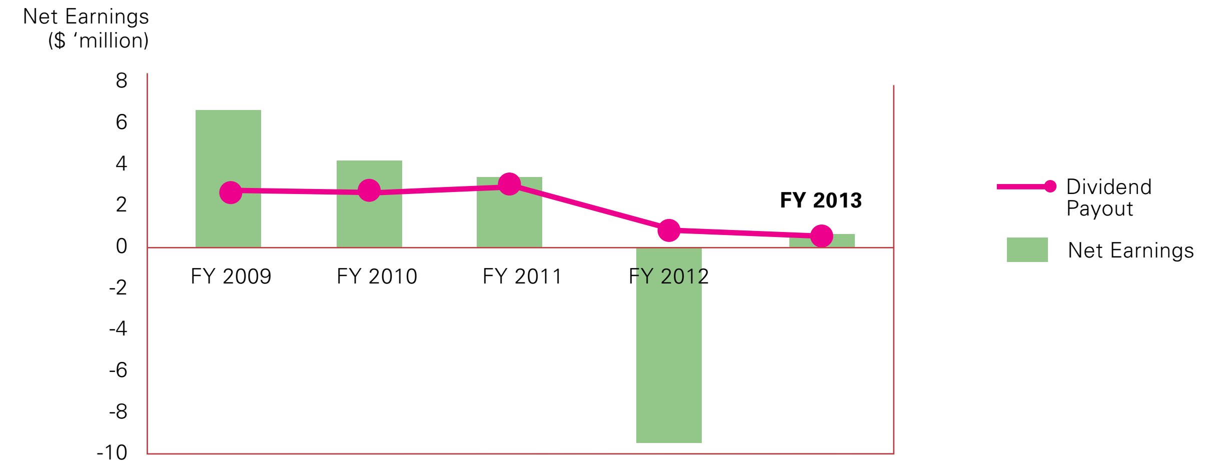
The Company's priority is to achieve long-term capital growth for the benefit of the shareholders. The bulk of its profits, when made, shall therefore be retained for investment into the future. Nevertheless, the Company recognises the desire of some of its shareholders to receive income out of their investment in the Company. Therefore, the Company strives to distribute, year after year and when its cash flow permits, an appropriate sum of dividend to reward its shareholders for their loyalty and support to the Company over the years. As such, it has not set a concrete dividend policy at present.

Qian Hu paid a first and final cash dividend of 0.2 Singapore cents per ordinary share (one-tier tax exempt) for the financial year 2012 despite registering losses. In addition, in connection with the disposal of Kim Kang, it paid a special interim cash dividend of 0.5 Singapore cents per ordinary share (one-tier tax exempt) in November 2013 amounted to approximately $2.3 million.

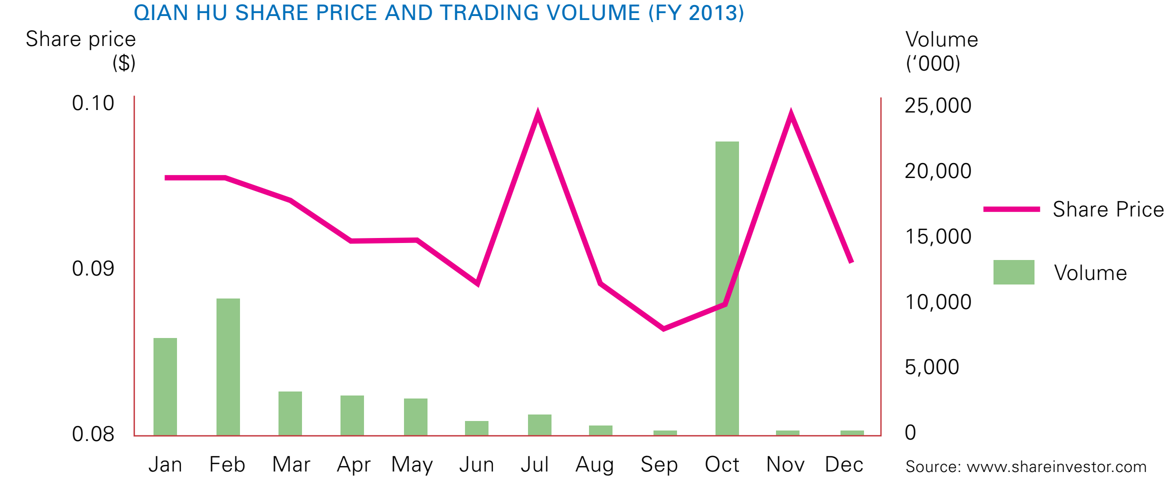
For the financial year ended 31 December 2013, the Directors are pleased to declare a final dividend of 0.1 Singapore cents per ordinary share (one-tier tax exempt). The proposed dividend, if approved by the shareholders of the Company at the forthcoming Annual General Meeting to be held on 18 March 2014, will be paid out on 15 April 2014.

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 or investments 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



QIAN HU SHARE PRICE AND TRADING VOLUME (FY 2013)



OPERATING AND FINANCIAL REVIEW

Operating and Financial Review (cont'd)

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 spread 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 2013, approximately 25% of the Group's assets are located overseas, while revenue from its overseas' customers constitute approximately 71% of the total revenue in FY 2013. 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 14001:2004 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 12% of the Group total revenue for the year ended 31 December 2013, 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. product innovation) and through new ventures with business partners. Business proposals and investment activities are evaluated through the performance of due diligence exercises 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

Qian Hu, which received the top award for investor relations at the Singapore Corporate Awards in 2011, has always been unwavering in its commitment to communicate its business strategies and performance on a regular, timely basis to its stakeholders - investors, analysts, media and shareholders.

Since its listing in 2000, the Company invites analysts, fund managers, the media and a small group of forum participants from Shareinvestor.com to its half-year and full-year results briefings, hosted by its senior management team.

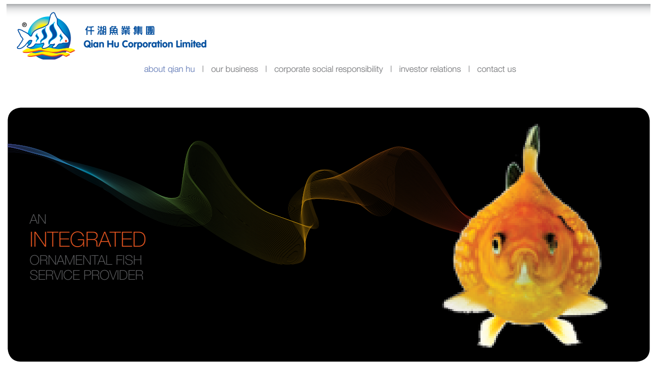
In 2001, Qian Hu was the first listed company to engage the investing community via the Q&A online forum at Shareinvestor.com every quarter.

Once a year, at the full-year results briefing, the Company takes great pains to put together all the financial materials including a Chairman's Statement, press release, presentation slides and factsheet, bound together in what the Company refers to as a "mini annual report".

Those who cannot make it for the results briefings can participate through the live audio cast – a service which Qian Hu has provided since 2005. For those who prefer to watch the briefing can also access the delayed video webcast.

Its investor relations website is kept updated regularly with comprehensive data comprising announcements to Singapore Exchange Securities Trading Limited (SGX), calendar of events, financial results, annual reports and investor presentations. It also includes the corporate governance report, investors' Q&As and detailed minutes of AGMs.

The Annual General Meeting is an important platform for shareholder communications. For shareholders who are not able to attend the AGM can also access the detailed minutes of the meeting posted on the websites of the Singapore Exchange and Qian Hu. It was the first listed company to provide such detailed minutes, including shareholders' questions and comments, as well as answers from the directors and Management.



THE QIAN HU PEOPLE REPORT

QIAN HU'S HR PHILOSOPHY

People excellence is one of Qian Hu's four strategic values which form the essence of the Group's core values and is very much a key ingredient to Qian Hu's success as a key player in ensuring that Singapore remains as the Ornamental Fish Capital of the World.

Awarded the People Developer Standard in 2006 and winner of Singapore's coveted People Excellence Award in 2009, Qian Hu remains committed to ensuring that its people come first in the organisation.

As at 31 December 2013, the Group had a total of 504 employees of whom 192 were based in Singapore, while the rest were from its overseas subsidiaries in Malaysia, Thailand, China and Indonesia. Out of these, 19% had been with the Group for more than 10 years, while 22% had clocked between 5 to 10 years.

Each year, Qian Hu sets aside approximately 2% of its total payroll to staff training. In FY 2013, each staff member underwent some 36.6 hours of training which includes on-the-job training, workplace safety, supervisory skills, problem solving and language enhancement courses.

QIAN HU'S SUCCESSION PLANNING

Since 2004, Qian Hu had put in place a structured succession programme to prepare a team of future leaders for the Group's long-term sustainability. This rigorous grooming process, which involves having the management trainees rotated across the Group to handle different portfolios and to see how they perform in challenging overseas posting, would ensure that they embrace the Group's culture of placing the Company's interests before personal interests. The future CEO will be assessed by the Board's Nominating Committee and peers appraisals, and the selection would be based purely on the individual's merit. It is the policy of the Company that family members would not be given any special preferences.

LEARNING FROM EVERYONE'S MISTAKES

As the proverb goes, "necessity is the mother of invention", and Qian Hu has learned that it is absolutely necessary to allow room for making mistakes and learning from one another so that its people can avoid the same pitfalls.

Four years ago, the Company implemented a programme called "Creating Value from Mistakes", or CVM in short, to encourage continuous learning as it moves to inculcate a culture of innovation within the organization.

CVM is a form of skills upgrading done within a culture of transparency and openness – a move that is demonstrated from the Group's Executive Chairman and Managing Director, Kenny Yap.

"I was the among the first to share my mistakes in China when we first entered the vast market. The lessons that I learnt from these mistakes were not only shared to the staff, I had enough material for a calendar which was distributed to customers, business associates and the media. I had members of public calling up the office for more copies after they read about it in the papers," said Kenny.

"So you see, being transparent about one's mistakes is a very human thing to do, and people ultimately appreciate your honesty and humanity. By sharing, you help others avoid the same mistakes which is what we call in management textbooks – error proofing – preventing mistakes before it happens," he added.

Since CVM was introduced to Qian Hu four years ago, the programme has resulted in the minimisation of work errors as well as a rise in positive contributions, thereby raising overall productivity and motivation.

Encouraging learning from one another's mistakes and seeking to promote positive contributions from staff members, CVM is now an important feature in staff dialogue sessions and operations meetings and some of the learning points are disseminated through Qian Hu's internal newsletters and staff communiqués as well.

The Qian Hu People Report (cont'd)

WALKING THE TALK PREVENTS STAFF FROM WALKING OUT

Recently, we met up with Mr Raymond Yip, Qian Hu's Senior Manager, Group Human Resource, to find out more about the Group's unique people management strategy:

How does Qian Hu seek to integrate everyone into the extended Qian Hu family culture?
Qian Hu employs various diagnostic tools such as employee opinion surveys, performance feedback, third-party responses, employee involvement and exit interviews to gauge staff morale. Feedback from staff is also gathered at informal meetings, and through the Staff Interactive System ("SIS"). These HRM practices motivate staff to actively acquire and share information, allowing the capture and transfer of knowledge. HR initiatives that promote bonding and help remove barriers among employees are also implemented.

How do you measure individual performance and how do you reward them?
We have a holistic performance reward system which is essentially an open appraisal process where staff are assessed and their learning needs are identified. Annual salary increases and bonuses are accorded based on staff capabilities and contributions for the year. On an annual basis, we also reward certain staff with various performance awards, namely, Most Contribution Award, Work Improvement Award, Industrious Staff Award, Good Housekeeping Award and Innovation Award. We also nominate staff for training and seminars as a reward, not only for career development.

How has the response been for your CVM programme?
Our CVM programme started back in 2008 with the purpose of supporting the Company's culture of innovation. This creates an environment for tolerating mistakes, and more importantly, learning from our mistakes. The programme supports the premise that it is more useful to not repeat the mistakes, and to avoid similar pitfalls amongst the other staff members. Productivity is hindered whenever the same mistakes are repeated by the same person or others. Just like in programmes encouraging the submission of staff suggestions, our CVM programme does not emphasise on the numbers of mistakes shared, but rather, on the staff's free-will approach to sharing. Therefore, we can only encourage. Up till 2013, we received 38 CVMs and 12 notable contributions indicated by employees. We recognise that in Asia where people do not openly share their mistakes freely, this programme would take time to gain further traction. We were gratified that there was an overwhelming response to our 2012 calendar that candidly illustrated our 12 corporate mistakes. Even members of the public called to ask if the calendars were for sale!

"12 lessons learnt from our mistakes"
- Qian Hu's Calendar for 2012

Qian Hu published this 2012 calendar entitled "12 lessons learnt from our mistakes" which featured a list of mistakes Qian Hu had made over the years and the lessons learned from those slip-ups. These practical nuggets of wisdom include "don't delegate things without knowing how to monitor them", and "treating your employees fairly and professionally, but not emotionally".

Qian Hu is known to be in a knowledge-based industry – how do you ensure knowledge is shared?
Knowledge and know-how are shared through operational monthly meetings and in-house learning sessions, conducted by our own Technical Executive and Supervisors. We are Certified On-the-Job Training (COJT) Centre under the Institute of Technical Education (ITE) On-the-Job (OJT) system which ensures staff are trained regularly on their job in managing fish diseases and treatments.

What was your people's reaction when you first shared with them about CVM?
Surprisingly, it was well received, although many were shocked at being encouraged to share their mistakes. Our MD Kenny Yap started the ball rolling by sharing some of his mistakes, and to encourage more to come forward, we gave incentives such as a $20 award for each mistake shared at our Staff Dialogue sessions. You can say we paid for our mistakes! Initially, we received something like 12 incidents – not a big number, but it was a commendable start nevertheless.

Qian Hu's corporate philosophy is "We bring fun to you" – how do you make it fun for your staff?
Our organization believes in working hard, and playing equally hard. Every year, we organise recreational events to foster closer team-building and creativity. We have ad-hoc departmental dinners to show our appreciation to our staff, and more importantly, we treat our staff with mutual respect. We place emphasis on building a "Qian Hu Family", which means we are in this together and support one another in order to achieve the corporate objectives, placing the Group before self.

How do you communicate internally?
Apart from our bi-annual internal newsletter "Fish Matrix", which is also available on our website, all divisional senior managers hold regular briefings to touch base with all of our staff.

How much focus do you place on staff training?
Annually, we budget about 2% of our total payroll on staff training. In 2013, each of our staff spends approximately 36.6 hours in training, which includes on-the-job training as well as external courses on workplace safety, supervisory skills, problem solving and language enhancement. We are pleased that our training participation rates and intensity are comparable and better in most categories than national averages.

SUSTAINABILITY REPORT

AN ORGANISATION WITH A HEART

"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."

Qian Hu believes in creating a sustainable business strategy compatible with profitability. As a Group, we have been aware about the importance of Corporate Social Responsibility and the impact of our operations on the environment and our stakeholders.

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 underprivileged around us. In January 2012, we published first Sustainability Report in our Annual Report for FY 2011, and are pleased to have obtained the minimum Application Level C Statement from the internationally-acclaimed Global Reporting Initiative (GRI) – one of the world's standard for sustainability reporting.

We are also pleased to have clinched Top Honours in the Small & Medium Enterprise category at the Singapore Sustainability Awards 2012 organised by the Singapore Business Federation. Presented in June 2012, this award marked the initial recognition we received for our long-standing commitment towards building a sustainable business and environment.

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.

SCOPE OF REPORT

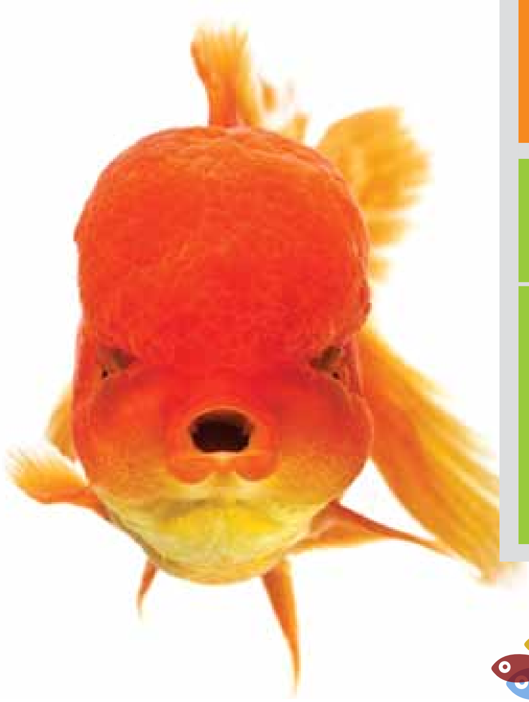
Qian Hu's sustainability reporting is based on the GRI G3 principles and framework. The aim of this report is to provide readers with an accurate, complete and reliable report which contains meaningful information on how we manage sustainability issues in our business sectors. Most of the data collected are from our Singapore headquarters. We will extend data collection to our other subsidiaries in Malaysia, Thailand, China, Indonesia and India in the near future.

Further information on corporate governance and investor relations, which are part of sustainability, can be found under pages 57 to 89 and page 40 respectively.

This report is checked against the GRI 3 Framework as Application Level C and addresses activities and data that fall within the company's financial year for the period from January 1 to December 31, 2013. We are currently in the midst of submitting FY2013 data to GRI for review.

QIAN HU'S SUSTAINABILITY POLICY

As a company that focuses on creating a sustainable business strategy compatible with profitability, our values as a responsible corporate citizen are reflected in the following principles:



CODE OF CONDUCT AND BUSINESS ETHICS

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.

A whistle-blowing mechanism was also established to aid 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 endeavours. By "indirectly", we are saying that we do not engage in business with partners, suppliers or third party manufacturers that are known to use unethical means in their business processes.

HEALTH, SAFETY AND THE ENVIRONMENT

Management of health, safety and the environment is high on our list of priorities. We continuously seek to minimise the impact of our activities through water and energy conservation, as well as having a robust workplace safety management programme.

EMPLOYEES

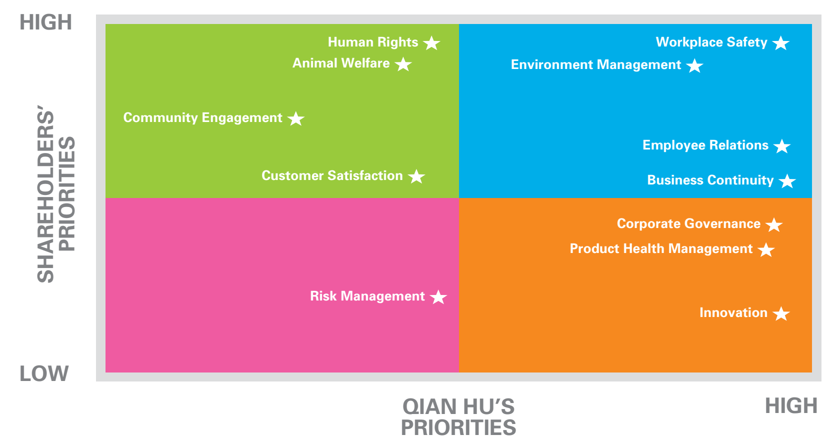
We believe in engaging and developing our staff to their fullest by providing opportunities for development and growth.

COMMUNITY

We believe in giving back to the society through supporting various charitable initiatives and community partnerships.

MANAGING SUSTAINABILITY – IDENTIFICATION OF KEY SUSTAINABILITY ISSUES

The Group has adopted the Materiality Matrix approach to identify and prioritise key sustainability issues. Feedback was gathered from its stakeholders which formed the basis for determining the Qian Hu's Materiality Matrix.



Issues that are material to Qian Hu are reviewed on an ongoing basis as the company continues to grow.

STAKEHOLDER ENGAGEMENT

We aim to align our business interests with that of our stakeholders. By assessing the significance of each stakeholder's interest in sustainability and the potential impact of stakeholders on our business, we identified the following key stakeholders.

STAKEHOLDERS	QIAN HU'S COMMITMENT
Our Investors	Maximise shareholder returns through strong fundamentals and prudent strategies
Our Customers	Maximise customer satisfaction through the quality of our fishes and our innovative pets and aquarium accessories products
Our Employees	Maximise the full potential of our workforce through staff development and human resource management
Our Partner Agencies	Maximise our role through partnership with regulatory and non-governmental organisations in the pursuit of achieving the highest environmental, health and safety standards.
Our Community	Minimise our impact on the environment and contribute to the communities we operate in as a responsible corporate citizen.

RISK FACTORS AND RISK MANAGEMENT

Risk management forms a critically important 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.

Please refer to pages 38 and 39 of this Annual Report on the disclosure of our Risk Factors and Risk Management.

HEALTH, SAFETY AND THE 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. Since 1998, 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).

QIAN HU'S ENVIRONMENT POLICY

In order to minimise the environmental impact of our operations, we are committed to:

- Comply with all applicable laws, regulations and standards. We will also collaborate with the authorities and with other companies within the industry to develop standards and practical guides aimed at protecting natural resources, and the environment.
- Undertake programmes of continual improvement and pollution prevention.
- Reduce the use of environmental unfriendly packing materials and strive to develop alternative practices using new technologies, when available
- Reduce resource consumption and waste generation.
- Provide the necessary training and support to staff.
- Conduct regular reviews to ensure compliance.

Qian Hu is committed to operating its business in a manner that is socially responsible to the environment. We have been continuing our efforts in recycling and waste management in all aspects of operational controls in our daily activities.

WATER AND ENERGY MANAGEMENT

Water is vital for our fish farm operations and has always been our key focus to reduce and reuse. In FY2013, over 90% of our water consumption came from recycled water that is channelled from our in-house rainwater catchment areas built within the farm. We are also mindful of our energy consumption by tracking and implementing measures to reduce and promote the reduction of energy consumption. In addition, we are have also switched to alternative sources of energy through the use of solar panels in one of our subsidiaries. Through these efforts, we have managed to maintain the increase in energy consumption under 10%.

WASTE MANAGEMENT AND RECYCLING

Through our waste management program put in place to track waste and recycling, our paper consumption in the Operations department has been effectively reduced by 14%. In addition, Qian Hu's Annual Reports have been printed using either recycled or environmentally friendly paper since FY 2007.

WORKPLACE SAFETY

Workplace safety is a priority at Qian Hu. In 2013, only two work-related incidents were reported. These involved a staff who was cut by the glass of a fish tank while moving it, and a store staff who slipped and fell while retrieving items using a ladder. Both of these incidents were due to staff inadvertence.

We regularly send staff for related certified training in workplace safety and first aid. We also have a defibrillator machine in the public area to aid in medical emergencies. Our HR department tracks and reports on industrial accidents/injuries, and if required, claims will be filed accordingly. Department heads, supervisors and staff have been briefed to directly inform HR department on all accidents/injuries, including minor cuts.

EMPLOYEE RELATIONS

OUR PEOPLE POLICY

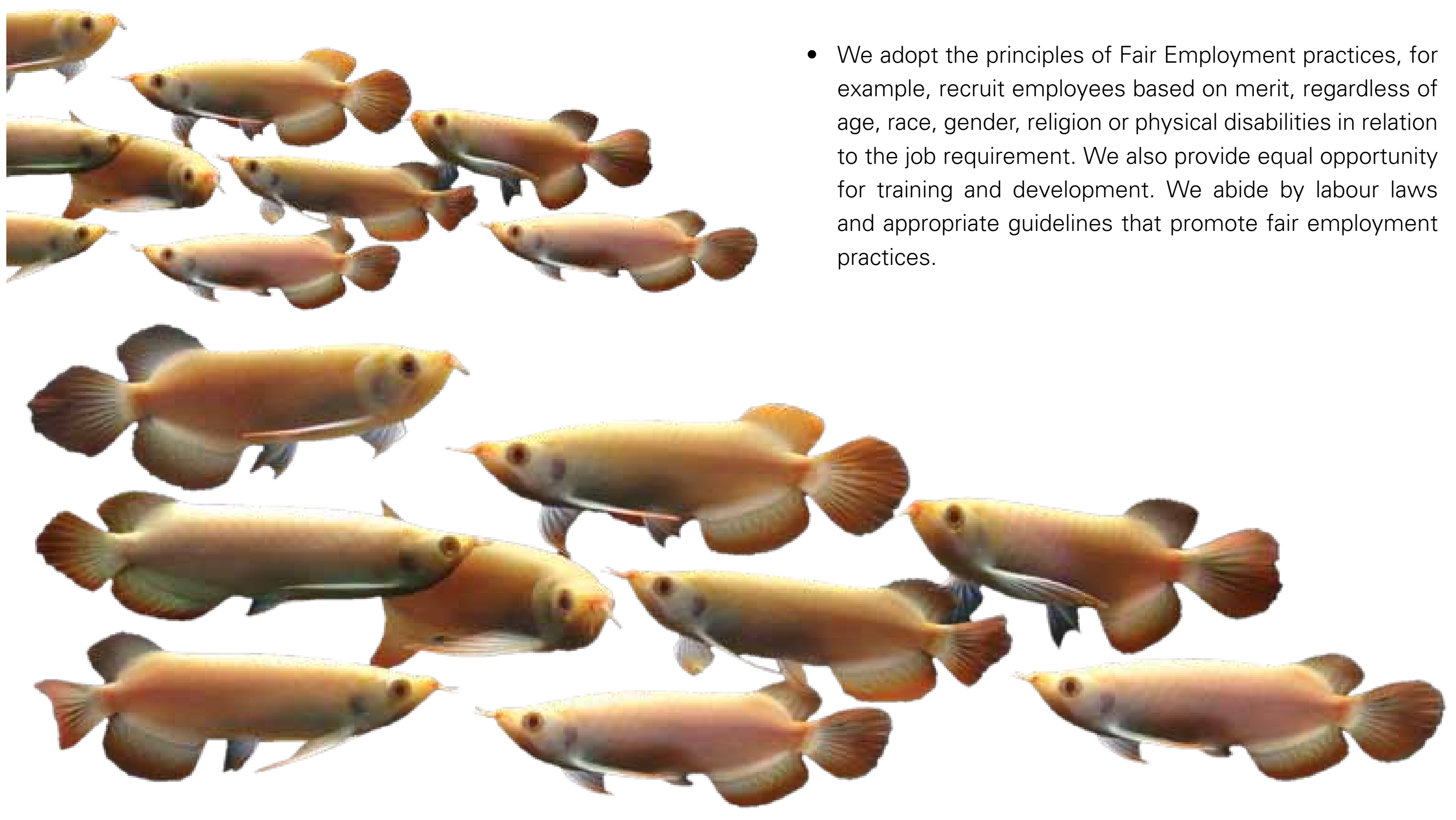
As at 31 December 2013, the Group had 504 employees of whom 192 were based in Singapore, while the remaining 312 were from our overseas subsidiaries in Malaysia, Thailand, China and Indonesia. At Qian Hu, our people are indeed our biggest asset, and pivotal to our continued sustainability as a global 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 36.6 hours of training. We place a strong emphasis on safety, and during the year in review, a total of 17 employees were sent for workplace safety training such as CPR/AED refresher training and Fire Safety and Casualty Evacuation.

HUMAN RIGHTS

Qian Hu is compliant with the standards set out by the United Nations' Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

As a corporation with a heart, Qian Hu is committed to respecting human rights. This commitment is stipulated in Section 5 of our Group's Code of Conduct ("Respect for Human Rights"):

- We treat all employees with respect and dignity and give fair treatment, irrespective of nationality, race or religion.
- We do not engage in child labour or take unethical means, directly or indirectly to manufacture or provide business services in our business endeavours. Indirectly means we do not engage in business with partners, suppliers or third party manufacturer that use such unethical means in their processes.
- We adopt the principles of Fair Employment practices, for example, recruit employees based on merit, regardless of age, race, gender, religion or physical disabilities in relation to the job requirement. We also provide equal opportunity for training and development. We abide by labour laws and appropriate guidelines that promote fair employment practices.



EMPLOYEE TURNOVER

Currently for our Singapore operations, our employee turnover rate is 1.5% of our staff strength. This is below the Singapore's average index of 2.3%.

STAFF PERFORMANCE AND CAREER DEVELOPMENT REVIEW

We take a holistic view on staff performance evaluations and our 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 to senior management. Over the years, more than 94% of our employees have participated in the surveys.

BUSINESS CONTINUITY/SUCCESSION PLANNING

To ensure business continuity, Qian Hu has put in place a structured succession planning programme which began 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 have identified a team who have the potential to be Qian Hu's future leaders, and out of this group, one will be chosen to be the next CEO and the criteria will be based on assessments from the Board's nominating committee, peer appraisals and individual 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 preference.

COMMUNITY ENGAGEMENT

Qian Hu's community engagement policy is based on 3Cs – Charity, Community and Commitment.

- The Group's senior management takes the lead by pledging higher donations and committing more time for charity activities. Since 2001, the Group has a dollar-for-dollar donation programme – Qian Hu matches every dollar that staff donates and these are donated for specific charities.
- Over the years, Qian Hu's contribution to charities averaged 1.4% of the Group's PBT which is well above Singapore's national average of 0.23%.
- Qian Hu organizes an annual exhibition at popular shopping malls and organizes free farm visit for underprivileged children and the handicapped. Through its subsidiary in Malaysia, the Group donates dog food to animal shelters. Qian Hu also donates fish to schools and helps to increases stocks in reservoirs.
- In 2013, Qian Hu has committed over 32 hours on public speaking and sharing sessions with the wider community in support of business excellence and best practices. 327 participants ranging from local institutions and schools to overseas business groups have benefitted from these sharing sessions.*
- Qian Hu also offers internships to the Teachers' Network and various polytechnics.

* *Since 2004, more than 7,300 people, both locally and overseas, have benefitted from these talks which promote the best practices in our Business Excellence journey.*

OF®
OCEAN FREE

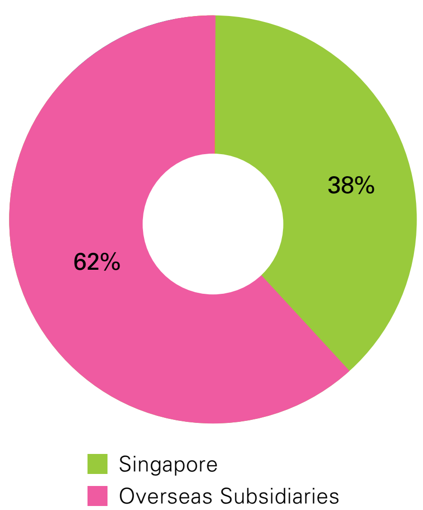
Betta Flora

The BettaFlora is a unique tank design that is simply a wonder to display in the office or home. The Smart hybrid design combines a miniature aquaria and a flora hydroponics pot into one beautiful body. For the first time ever, a tank set that allows you to recycle the tank water for flora hydroponics use. It's simple One-step water changing design makes regular maintenance so easy.

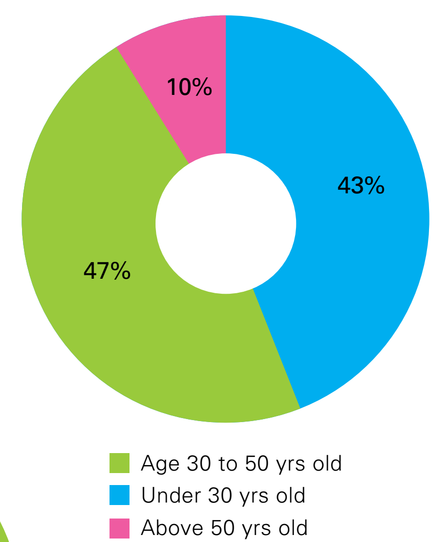
Integrated RGB LED lights in the rims, creates a glistening shine for the fish and tank set. beautify your life. Bettaflora, the perfect choice for nature lovers!

EMPLOYEE STATISTICS

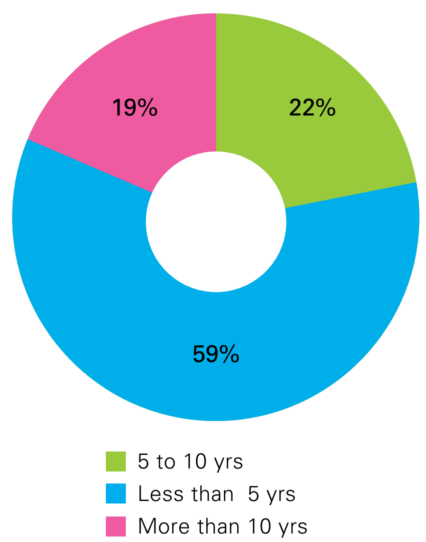
EMPLOYEES BY LOCATION



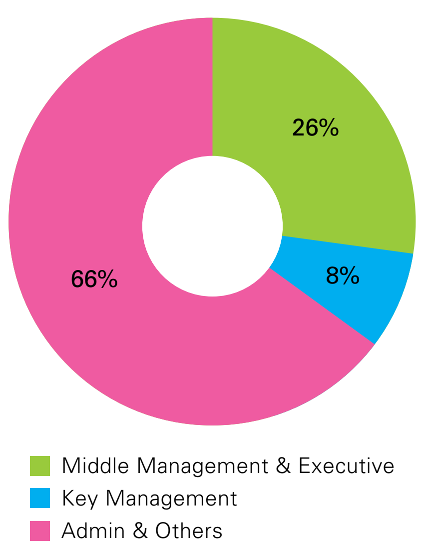
EMPLOYEES' AGE DISTRIBUTION



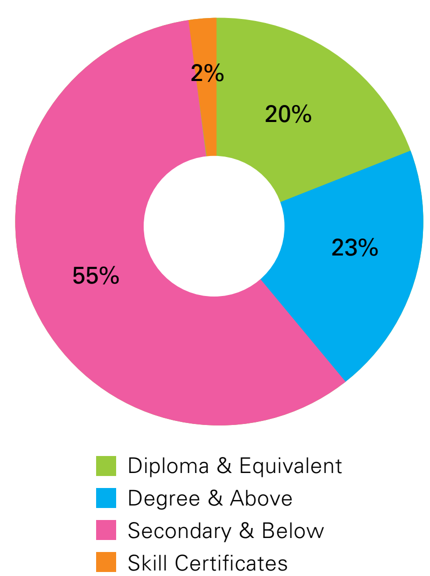
LENGTH OF SERVICE



EMPLOYEES' CATEGORY



EDUCATIONAL QUALIFICATIONS



GRI STANDARD DISCLOSURES AND INDICATORS TABLE

GRI REF.	GRI INDICATOR	QIAN HU DISCLOSURE WEBSITE LINK	ANNUAL REPORT SECTION/
STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organization.	AR: Pg 8-9	Chairman's Statement
ORGANIZATIONAL PROFILE			
2.1	Name of the organization.	AR: Front Cover	Annual Report Front Cover
2.2	Primary brands, products, and/or services.	AR: Pg 30	Operating and Financial Review
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	AR: Pg 18	Group Structure
2.4	Location of organization's headquarters.	AR: Back Cover AR: Pg 3	Annual Report Back Cover About Qian Hu
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	AR: Pg 26	Group Structure
2.6	Nature of ownership and legal form.	AR: Pg 150	Statistics of Shareholders
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	AR: Pg 32 AR: Pg 3	Operating and Financial Review
2.8	Scale of the reporting organization.	AR: Pg 32	Operating and Financial Review
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	AR: Pg 8-9	Chairman's Statement
2.10	Awards received in the reporting period.	AR: Pg 22-23	Awards and Accolades
REPORT PARAMETERS			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	AR: Pg 48	Sustainability Report: Scope of Report
3.2	Date of most recent previous report (if any).	AR: Pg 48	Sustainability Report: Scope of Report
3.3	Reporting cycle (annual, biennial, etc.)	AR: Pg 48	Sustainability Report: Scope of Report
3.4	Contact point for questions regarding the report or its contents.	QianHu Website	http://www.qianhu.com
3.5	Process for defining report content.	AR: Pg 48	Sustainability Report: Scope of Report
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	AR: Pg 48	Sustainability Report: Scope of Report
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	AR: Pg 48	Sustainability Report: Scope of Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	AR: Pg 48	Sustainability Report: Scope of Report
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	AR: Pg 48	Sustainability Report: Scope of Report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	AR: Pg 48	Sustainability Report: Scope of Report
3.12	Table identifying the location of the Standard Disclosures in the report.	AR: Pg 55-56	Qian Hu's GRI Standard Disclosures and Indicators Table

GRI REF.	GRI INDICATOR	QIAN HU DISCLOSURE	ANNUAL REPORT SECTION/ WEBSITE LINK
GOVERNANCE, COMMITMENTS, AND ENGAGEMENT			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	AR: Pg 57-89	Corporate Governance Report
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	AR: Pg 57-89	Corporate Governance Report
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	AR: Pg 57-89	Corporate Governance Report
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	AR: Pg 57-89	Corporate Governance Report
4.14	List of stakeholder groups engaged by the organization.	AR: Pg 49	Sustainability Report: Stakeholder Engagement
4.15	Basis for identification and selection of stakeholders with whom to engage.	AR: Pg 49	Sustainability Report: Managing Sustainability – Identification of Key Sustainability Issues
ECONOMIC			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	AR: Pg 30 AR: Pg 53	Operating and Financial Review Sustainability Report: Community Engagement
ENVIRONMENTAL			
EN3	Direct energy consumption by primary energy source.	AR: Pg 50	Sustainability Report: Health, Safety and the Environment
EN8	Total water withdrawal by source.	AR: Pg 50	Sustainability Report: Health, Safety and the Environment
EN10	Percentage and total volume of water recycled and reused.	AR: Pg 50	Sustainability Report: Health, Safety and the Environment
SOCIAL: LABOR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type, employment contract, and region.	AR: Pg 51	Sustainability Report: Employee Relations
LA2	Total number and rate of employee turnover by age group, gender, and region.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	AR: Pg 50	Sustainability Report: Employee Relations
LA10	Average hours of training per year per employee by employee category.	AR: Pg 51	Sustainability Report: Employee Relations
LA12	Percentage of employees receiving regular performance and career development reviews.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	AR: Pg 52-54	Sustainability Report: Employee Relations

CORPORATE GOVERNANCE - **REPORT**

CORPORATE GOVERNANCE - **HIGHLIGHTS**

"THE ROLE OF THE BOARD HAS INDEED CHANGED OVER THE YEARS – CURRENTLY, THERE IS A GROWING FOCUS ON PROTECTING MINORITY INTEREST AND BOARD DIVERSITY. I ALWAYS BELIEVE THAT A WELL-MANAGED BOARD IS ALL ABOUT PROTECTING THE INTEREST OF THE COMPANY SO THAT IT CAN BE SUSTAINABLE - IT MUST BE TRANSPARENT, FAIR AND CONSISTENT. A PROFESSIONALLY RUN BOARD, WITH DIRECTORS WHO POSSESS RELEVANT AND DIVERSE KNOWLEDGE, WILL ALSO BE ABLE TO ENSURE THAT IT CONTINUES TO MAINTAIN A STRATEGIC BALANCE."

KENNY YAP
Executive Chairman & Managing Director

Since its listing on the Singapore Exchange in 2000, Qian Hu has committed itself to the best practices of corporate governance. It sees its primary responsibility to all shareholders and investors alike – to really walk the talk.

Its efforts have been recognised by the business community in Singapore and overseas, and over the years, the Group has been lauded for blazing the trail in corporate governance and transparency.

Qian Hu is driven by a strong sense of creating value and accountability towards its investors and stakeholders, seen by its consistent efforts in implementing the best practices in board management, risk governance, disclosure and sustainability, and in ensuring that it complies whole-heartedly with the most updated version of Singapore's Code of Corporate Governance.

Qian Hu believes in not only complying with the letter of the Code, but more importantly, the spirit of the law. The Company lives and breathes the value of these best practices in its day-to-day operations.

SUSTAINABILITY REPORTING

- One of the few listed SMEs in Singapore to be assessed by internationally-acclaimed GRI
- Winner of Singapore Sustainability Award 2012

SUCCESSION PLANNING & TRAINING

- The Nominating Committee oversees succession and leadership development of senior management
- Comprehensive orientation programme for new directors
- Ongoing training for all directors

BOARD DIVERSITY

- Proportion of women directors is 28.6% - well above national average of 7.3% and well ahead of those in Australia, Hong Kong and China

TRANSPARENCY

- Full disclosure of remuneration for directors, top 5 key management personnel and immediate family members of CEO and Executive Directors since FY 2002
- Since the 2010 AGM, all votes are conducted by poll and results are announced immediately as well as via SGXNET following the meeting

WHISTLE BLOWING

- Framework in place since FY 2006

SHAREHOLDERS' FEEDBACK

- Via corporate website, email and fax.
- AGM minutes are available on SGXNET and the Company's website after the meeting since FY 2003

BOARD REPRESENTATIONS

- Each director is allowed no more than 4 representations on the boards of listed companies

TIMELINESS

- Quarterly results - Within 20 days after quarter end
- Full-year results - Within 15 days after year end
- Combined media and analyst briefings – half-yearly
- AGM held within 3 months after financial year end

ASSURANCES

- CEO and CFO assures integrity of financial statements
- The Board provides an opinion on the adequacy and effectiveness of risk management and internal control systems in place

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Qian Hu Corporation Limited (the "Company") and its subsidiaries (the "Group") are firmly committed to ensuring a high standard of corporate governance which is essential to the sustainability of the Group's business and performance.

This report, set out in a tabular form, describes the Group's corporate governance structures and practices that were in place throughout the financial year ended 31 December 2013, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") issued in May 2012, which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited.

The Board is pleased to confirm that for the financial year ended 31 December 2013, the Group has adhered to the principles and guidelines as set out in the Code where appropriate.

I. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and 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 objectives, 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 risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets; (c) review management performance; (d) identify the key shareholder groups and recognise that their perceptions affect the company's reputation; (e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.	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; • establish and 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 annual budgets, major funding proposals, investment and divestment proposals; • consider sustainability issues of policies and proposals and • assume responsibility for corporate governance.
1.2 All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.	All directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interest of the Company.

Guidelines of the Code		Qian Hu Corporate Governance practices
1.3	The Board may delegate the authority to make decisions on any board committee but without abdicating its responsibility. Any 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"), Nominating Committee ("NC") and Risk Management Committee ("RMC") have been constituted with clearly defined terms of reference. These terms of reference are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of the Board Committee meetings are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Please refer to Table 1 – Board and Board Committees.
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 (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and board committees 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 and Board Committee meetings as well as the Annual General Meeting ("AGM") for the next calendar year is planned well in advance. The Board meets at least four times in a year. Besides the scheduled Board 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	Every company should prepare a document with guidelines setting forth : (a) the matters reserved for the Board's decision; and (b) clear directions to Management on matters that must be approved by the Board. The types of material transactions that require board approval under such guidelines should be disclosed in the company's Annual Report.	The Group has adopted internal guidelines governing matters that require the Board's approval. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Board Committees and the Management via a structured Delegation of Authority matrix, which is reviewed on a regular basis and accordingly revised when necessary. The Delegation of Authority matrix forms a guideline and provides clear directions on matters requiring Board's approval which include: • annual budgets and business plan of the Group; • material acquisition and disposal of assets; • investment, divestment or capital expenditure exceeding $1 million; • corporate or financial restructurings; • issuance of shares; • declaration of interim dividends and proposal of final dividends; • interested person transactions of a material nature; and • announcement of the Group's quarterly, half year and full year results and the release of the Annual Reports.

Guidelines of the Code	Qian Hu Corporate Governance practices
1.6 Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the company's business and governance practices. The company should provide training for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate. It is equally important that all directors should receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.	There were no incoming directors during the course of the financial year. When the existing directors were appointed, the Company conducted a comprehensive orientation programme, which was presented by the CEO, 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 have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. The orientation programme gives the directors an understanding of the Group's businesses to enable them to assimilate into their new role. It also allows the new directors to get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management. 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. New releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the directors are circulated to the Board. The Company Secretary informs the directors of upcoming conferences and seminars relevant to their roles as directors of the Company. 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. ***Briefings and trainings provided for Directors in FY 2013*** The details of updates, briefings and training programmes attended by the Directors in FY 2013 are as follows: • the external auditors, KPMG LLP, briefed the AC and the Board on the developments in financial reporting and governance standards • the NC and the Board was briefed on the Revised Code of Corporate Governance which took effect on 1 November 2012 • the CEO updated the Board at each meeting on business and strategic developments pertaining to the Group's business • Seminar on "Financial Reporting Updates" organised by EY LLP • SID Directors Conference 2013 organised by the Singapore Institute of Directors • Global Corporate Governance Conference organised by Securities Investors Association (Singapore)
1.7 Upon appointment of each director, the company should provide a formal letter to the director, setting out the director's duties and obligations.	A formal letter of appointment is furnished to every newly-appointed director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board.

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 and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guidelines of the Code		Qian Hu Corporate Governance practices
2.1	There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	The Board comprises seven directors of which three are independent directors. Please refer to Table 1 – Board and Board Committee.
2.2	The independent directors should make up at least half of the Board where: (a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director.	While the Chairman and the CEO is the same person, the Board is of the opinion that based on the Group's current size and operations, it is not necessary to have independent directors make up at least half of the Board at present. Nonetheless, the Company is constantly on the lookout for suitable candidates to join the Board as independent directors as part of its renewal process.
2.3	An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. If the Board 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 assessed and reviewed annually by the NC. In its deliberation as to the independence of a director, the NC took into account examples of relationships as set out in the Code, considered whether a director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgements. 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. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. During the financial year, the Group received professional services rendered from Alchemy Business Consultants and Corporate Alliance Pte Ltd, which Mr Chang Weng Leong and Ms Sharon Yeoh Kar Choo has an interest respectively. The NC is of the view that the business relationship with Alchemy Business Consultants and Corporate Alliance Pte Ltd has not interfered with the exercise of independent judgement in the best interest of the Company by Mr Chang and Ms Yeoh in the discharge of their duties as directors. As such, they should be deemed independent. Accordingly, the NC has determined that all the three non-executive directors are independent. With three of the seven 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 dominates the Board's decision making. The Board has no dissenting view on the Chairman's Statement to the shareholders as set out on pages 8 to 10 of this Annual Report for the financial year under review.

CORPORATE GOVERNANCE REPORT (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
2.4 The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.	The Board recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution to the Board. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board. Currently, Mr Chang Weng Leong and Mr Tan Tow Ee have served on the Board for more than nine years from the date of their first appointment. The Board has subjected their independence to a particularly rigorous review. The Board is of the view that Mr Chang Weng Leong and Mr Tan Tow Ee have demonstrated strong independence character and judgement over the years in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification and amplification as they deemed necessary, including through direct access to the Management. Taking into account the above, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has resolved that Mr Chang and Mr Tan continue to be considered independent directors, notwithstanding they have served on the Board for more than nine years from the date of their first appointment.
2.5 The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees. The Board should not be so large as to be unwieldy.	The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, considers that a board size of between six to eight members as appropriate. The Board believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity without interfering with efficient decision-making.
2.6 The Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also 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.

Guidelines of the Code	Qian Hu Corporate Governance practices
2.7 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 Board and the Management fully appreciate that an effective and robust board whose members engage in open and constructive debate and challenge the Management on its assumptions and proposals is fundamental to good corporate governance. A board should also aid in the development of strategic proposals and oversees the effective implementation by Management to achieve set objective. For this to happen, the Board, particularly the independent directors, must keep well informed of the Group's business and be knowledgeable about the industry the Group operates in. To ensure that the independent directors are well supported by accurate, complete and timely information, they have unrestricted access to Management, and have sufficient time and resources to discharge their oversight functions effectively. The independent directors also receive board briefings on prospective deals and potential development at an early stage before formal board approval is sought, and in circulation on the relevant information on latest market development and trends, and key business initiatives in relation to the Group or the industries in which it operates.
2.8 To facilitate a more effective check on Management, non-executive directors are encouraged to meet regularly without the presence of Management.	The Company co-ordinates informal meeting sessions for independent directors to meet on a need-basis without the presence of the Management 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.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guidelines of the Code	Qian Hu Corporate Governance practices
3.1 The Chairman and the 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 the CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.	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.

CORPORATE GOVERNANCE REPORT (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
3.2 The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role; (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (c) promote a culture of openness and debate at the Board; (d) ensure that the directors receive complete, adequate and timely information; (e) ensure effective communication with shareholders; (f) encourage constructive relations within the Board and between the Board and Management; (g) facilitate the effective contribution of non-executive directors in particular; and (h) 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 managing the day-to-day business operations 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 and ensures sufficient allocation of time for throughout discussion of each agenda item, in particular strategic issues. He promotes an open environment for debate, and ensures that independent directors are able to speak freely and contribute effectively. In addition, he sets guidelines and exercise control over the quality, quantity, accurateness and timeliness of information flow between the Board and the Management. He plays a pivotal role in fostering constructive dialogue between shareholders, the Board and the Management at AGMs and other shareholders meetings. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices with the full support of the Board, Company Secretary and the Management.
3.3 Every company should appoint an independent director to be the lead independent director where (a) the Chairman and the CEO is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team or; (d) the Chairman is not an independent director. The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the chief financial officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate.	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 Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO or CFO has failed to resolve or is inappropriate.
3.4 Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.	The independent directors, led by the lead independent director, meet amongst themselves without the presence of the other directors where necessary, and the lead independent director will provide feedback to the Chairman after such meetings.

Board Membership

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

Guidelines of the Code	Qian Hu Corporate Governance practices
4.1 The Board should establish a NC to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.	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. Please refer to Table 1 – Board and Board Committee – on the names of the members and the composition of the NC. The key terms of reference of the NC are set out on page 88 of this Annual Report.

Guidelines of the Code	Qian Hu Corporate Governance practices
4.2 The NC should make recommendations to the Board on relevant matters relating to : (a) the review of board succession plans for directors, in particular, the Chairman and for the CEO; (b) the development of a process for evaluation of the performance of the Board, its board committees and directors; (c) the review of training and professional development programs for the Board; and (d) the appointment and re-appointment of directors (including alternate directors, if applicable). Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, 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-appointment at regular intervals and at least once every three years.	The responsibilities of the NC are, among other things, to make recommendations to the Board on all Board appointments, re-appointments and oversee the Board and key management personnel's succession and leadership development plans. ***Succession planning for Board and Management*** Succession planning is an important part of the governance process. The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory. The NC reviews the succession and development plans for key management personnel, which are subsequently approved by the Board. As part of this annual review, the successors to key positions are identified, and development plans instituted for them. *(more details are set out in the "Qian Hu's succession planning" section on page 42 of this Annual Report)* ***Process for selection and appointment of new directors*** The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors. 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 to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for appointment as director. ***Process for re-appointment of directors*** 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-appointment 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-appointment at the Company's 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-appointment at the next AGM following his appointment. Thereafter, he is subject to be re-appointed 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 invaluable 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.

CORPORATE GOVERNANCE REPORT (cont'd)

Guidelines of the Code		Qian Hu Corporate Governance practices
4.3	The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.	The NC is charged with determining the independence of the directors as set out under Guideline 2.3. The Board, after taking into consideration the views of the NC, 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 is able to and has been adequately carrying out his/her duties as a director of the company, taking into consideration the director's number of listed company board representations and other principal commitments. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.	All directors are required to declare their board representations. When a director has multiple board representation, the NC will consider whether the director is able to adequately carry out his/her duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments. 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. The Company's current policy stipulates that if a director is an Executive Director or a key management personnel, he/she should not hold more than four listed company board representations concurrently.
4.5	Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director.	There is no alternate director on the Board.

Guidelines of the Code		Qian Hu Corporate Governance practices
4.6	A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.	Please refer to Guideline 4.2 above.
4.7	The following information regarding directors, should be disclosed in the company's Annual Report -: • academic and professional qualifications; • shareholding in the company and its related corporations; • board committees served on (as a member or chairman), date of first appointment and last-re-appointment as a director; • directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments -; • indicate which directors are executive, non-executive or considered by the NC to be independent; and • the names of the directors submitted for appointment or re-appointment 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 12 and 15 of this Annual Report. The shareholdings of the individual directors of the Company are set out on page 91 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company. Directors who are seeking re-appointment at the forthcoming AGM to be held on 18 March 2014 are stated in the Notice of AGM set out on pages 151 to 154 of this Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees 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 its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.	The Board, through the NC, has used its best effort to ensure that directors appointed to the Board and the Board Committees, 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.

Guidelines of the Code	Qian Hu Corporate Governance practices
	Board Evaluation 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 completed evaluation forms were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion 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. The performance criteria for the board evaluation are in respect of board size and composition, board independence, board processes, board information and accountability, board performance in relation to discharging its principal functions and board committee performance in relation to discharging their responsibilities as set out in their respective terms of reference, and financial targets which include profit after tax, earnings per share, debt-equity ratio and dividend payout ratio. ***Individual Director Evaluation*** Individual director's performance is evaluated annually and informally on a continual basis by the NC and the Chairman. Some factors taken into consideration by the NC and the Chairman include the value of contribution to the development of strategy, availability at board meetings (as well as informal contribution via email and telephone), interactive skills, degree of preparedness, industry and business knowledge and experience each director posses which are crucial to the Group's business. ***Chairman Evaluation*** The evaluation of the Chairman of the Board is undertaken by the RC and the NC, and the results are reviewed by the Board. The assessment of the Chairman of the Board is based on his ability to lead, whether he established proper procedures to ensure the effective functioning the Board and that the time devoted to board meetings were appropriate and are conducted in a manner that facilitate open communication and meaningful participation for effective discussion and decision-making by the Board. He has also to ensure that Board Committees formed were appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

Guidelines of the Code		Qian Hu Corporate Governance practices
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 shareholder value.	The NC and the Board reviews its performance against qualitative and quantitative targets on an annual basis. Please refer to Guideline 5.1 above.
5.3	Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and board committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.	The primary objective of the board evaluation exercise is to create a platform for the Board and Board Committees members to provide constructive feedback on the board procedures and process and the changes which should be made to enhance the effectiveness of the Board and Board Committees. The individual director evaluation exercise assists the NC in determining whether to re-nominate directors who are due for retirement at the forthcoming AGM, and in determining whether directors with multiple board representations are able to and have adequately discharged their duties as directors of the Company. Nonetheless, 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.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.	All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with accurate and detailed information in a timely manner concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's key management personnel. As a general rule, detailed Board and Board Committees 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 provide sufficient background and explanatory information from the Management on financial impact, business strategies, risk analysis, regulatory implications 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 the Management in attendance at the meetings, or by external consultants engaged on specific projects. The directors have separate and independent access to the Company Secretary and to other key management personnel of the Group at all times through email, telephone and face-to-face meetings. Any additional materials or information requested by the directors to make informed decisions is promptly furnished.

Guidelines of the Code		Qian Hu Corporate Governance practices
6.2	Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and 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, cashflow projections, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.
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 board committees and between Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.	Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Board Committees and between the Management and independent directors. The Company Secretary assists the Chairman and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committees meetings. She administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Listing Rules of the SGX-ST, are complied with. As the primary compliance officer for the Group's compliance with the Listing Rules, the Company Secretary is responsible for designing and implementing a framework for the Management to comply with the Listing Rules, including advising the Management to ensure that material information is disclosed on a prompt basis. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.
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 approval of the Board.
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, and 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.

II. 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 establish a Remuneration Committee ("RC") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.	The Board established the RC in July 2002 which consists of three independent directors. Please refer to Table 1 – Board and Board Committee – on the names of the members and the composition of the RC. The key terms of reference of the RC are set out on page 89 of this Annual Report.
7.2	The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. 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, share-based incentives and awards, and benefits in kind.	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 key management personnel. 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. In addition, the RC reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment of and recommendation for remuneration and bonus. No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.
7.3	If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.	The RC has access to appropriate expert advice in the field of executive compensation outside the Company where required.
7.4	The RC should review the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.	The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

CORPORATE GOVERNANCE REPORT (cont'd)

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guidelines of the Code	Qian Hu Corporate Governance practices
8.1 A significant and appropriate proportion of executive directors and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors and key management personnel's performance.	The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel 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 management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks. Executive Directors do not receive directors' fees but are remunerated as members of Management. The remuneration package of the Executive Directors and the key management personnel 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. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. Service contracts for Executive Directors, are for a fixed appointment period and do not contain onerous removal clauses.
8.2 The RC should encourage long-term incentive schemes and review whether executive directors and key management personnel 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. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.	The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.
8.3 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. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.	The independent directors receive directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent for serving on the Board and Board Committees, 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 to the extent that their independence might be compromised. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company. There are no share-based compensation schemes in place for independent directors.

Guidelines of the Code		Qian Hu Corporate Governance practices
8.4	Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.	The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, 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 management personnel, 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, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.	Please refer to Table 3 – Remuneration of directors and top five key management personnel
9.2	The company should fully disclose the remuneration of each individual director and the CEO on a named basis. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.	Please refer to Table 3.
9.3	The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of said top five key management personnel.	Please refer to Table 3.
9.4	The annual remuneration report should disclose, on a 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$50,000 during the year. Disclosure of remuneration should be in incremental bands of S$50,000.	Please refer to Table 3.
9.5	The annual remuneration 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 does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

Guidelines of the Code		Qian Hu Corporate Governance practices
9.6	The company should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance.	Please refer to Guideline 8.1 above.

III. ACCOUNTABILITY AND AUDIT

Accountability

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

Guidelines of the Code		Qian Hu Corporate Governance practices
10.1	The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	The Board reviews and approves the results as well as any announcements before its release. Shareholders are provided with the first three quarters and the annual financial reports no later than 20 days from the end of the quarter and within 15 days from the financial year end respectively. 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. This responsibility is extended to regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.
10.2	The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.	The Board review legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the Group's financial statements. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal controls systems in place, including financial, operational compliance and information technology controls. *(Please refer to Guideline 11.3 below)*
10.3	Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.	The Group recognises the importance of providing the Board with accurate and relevant information on a timely 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. The Management also highlighted key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make a balanced and informed assessment of the company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guidelines of the Code		Qian Hu Corporate Governance practices
11.1	The Board should determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	The Board acknowledges that it is responsible for the governance of risks and 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 unit is required to document the mitigating actions in place and/or proposed in respect of each significant risk. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation. The approach to risk management and internal controls are set out in the "Operating and Financial Review" section on pages 30 to 39 of this Annual Report.
11.2	The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	The AC is assisted by the Risk Management Committee ("RMC"), which was formed in FY 2013 as part of the Group's efforts to strengthen its risk management processes and framework, in overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control systems. The Group has done up a documentation on its risk profile which summarizes the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the AC and the Board annually. The documentation provides an overview of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type and the various assurance mechanism in place. It allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process. On an annual basis, the internal audit function prepares the internal audit plan taking into consideration the risks identified which is approved by the AC and the audits are conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems put in place, including financial, operational, compliance and information technology controls. 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, major control weaknesses on financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

Guidelines of the Code	Qian Hu Corporate Governance practices
11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.	Please refer to Guideline 11.2 above. The Board has received assurance from the CEO and the CFO at the Board meeting held on 10 January 2014 that the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances. Based on Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the AC, is of the view that the internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate as at 31 December 2013.
11.4 The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.	Please refer to Guideline 11.2 above.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.1 The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors. The Board should disclose in the company's Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.	The Board established the AC in October 2000 which consists of three independent directors. Please refer to Table 1 – Board and Board Committee – on the names of the members and the composition of the AC. The key terms of reference of the AC are set out on page 88 of this Annual Report.
12.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.	The Board considers that Mr Tan Tow Ee, who has extensive and practical financial management knowledge and experience, is well qualified to chair the AC. The members of the AC, collectively, have expertise or experience in accounting and related financial management and are qualified to discharge the AC's responsibilities.
12.3 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 key management personnel to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly. The AC met four times in the financial year ended 31 December 2013 and the Executive Directors are invited to attend the meetings.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.4 The duties of the AC should include:	
(a) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the company and any 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 Group's financial performance so as to ensure the integrity of the financial statements.
(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);	The AC reviews the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems through discussion with Management and its auditors and report to the Board annually.
(c) reviewing the effectiveness of the company's internal audit function;	The AC annually reviews the adequacy of the internal audit function to ensure that the internal audit resources are adequate and that the internal audits are performed effectively. The AC examines the internal audit plans, determines the scope of audit examination and approves the internal audit budget. It also oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function.
(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and	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.
(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.	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. The re-appointment of the external auditors is always subject to shareholders' approval at the AGM of the Company.
12.5 The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.	The AC meets with the external auditors and the internal auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.6 The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external 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 maintain objectivity.	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 and has recommended the re-appointment of the external auditors at the forthcoming AGM of the Company. The fees payable to auditors is set out on page 131of this Annual Report. The Company has complied with Rules 712 and 715 read with 716 of the Listing Rules of the SGX-ST in relation to the appointments of its external auditors. The AC and the Board are satisfied with the standard and the effectiveness of the audits performed by the independent auditors, other than those of the Company.
12.7 The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.	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 management personnel 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 issues/concerns raised and appropriate follow-up action, and provides assurance that employees will be protected from reprisal within the limits of the law. The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action. There were no reported incidents pertaining to whistle-blowing for FY 2013.

Guidelines of the Code		Qian Hu Corporate Governance practices
12.8	The Board should disclose a summary of all the AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	The AC is guided by the terms of reference which stipulate its principal functions. The AC meets regularly with the Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues. It also reviews the internal audit functions to ensure that an effective system of control is maintained in the Group. On a quarterly basis, the AC also reviews the interested person transactions and the financial results announcements before their submission to the Board for approval. The AC is kept abreast by the Management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.
12.9	A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.	No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

<u>**Internal Audit**</u>

Principle 13: The company should establish an effective internal audit function that is adequately resourced and 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 AC Chairman although the Internal Auditor would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The Internal Auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.	The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal audit function of the Company is out-sourced to a certified public accounting firm. The IA report primarily to the Chairman of the AC and has full access to the documents, records properties and personnel of the Company and of the Group.
13.2	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 be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding 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 IA 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. The AC is satisfied that the internal audit function has adequate resources to perform its function effectively.
13.3	The internal audit function should be staffed with persons with the relevant qualifications and experience.	The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

Guidelines of the Code	Qian Hu Corporate Governance practices
13.4 The Internal Auditor should carry out its function according to 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 IA is a member of the Singapore branch of the Institute of Internal Auditors ("IIA"), an internal professional association for internal auditors which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.
13.5 The AC should, at least annually, review the adequacy and effectiveness 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 IA may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns. Please refer to Guideline 12.4(c) above on the adequacy and effectiveness of the internal audit function.

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guidelines of the Code	Qian Hu Corporate Governance practices
14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.	The Company's corporate governance practices promote the fair and equitable treatment to all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in Qian Hu.
14.2 Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.	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. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions passed at the general meetings. The rules, including the voting process, were explained by the scrutineers.
14.3 Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings 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. The Company will consider amending its Articles of Association to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guidelines of the Code	Qian Hu Corporate Governance practices
15.1 Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	Qian Hu is firmly committed to corporate governance and transparency by disclosing to its stakeholders, including its shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as to hearing its shareholders' views and addressing their concerns. Full details of the Group's investor relations (IR) initiatives are set out on page 40 of this Annual Report.
15.2 Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.	All material information on the performance and development of the Group and of the Company is disclosed in an accurate and comprehensive manner through SGXNET, press releases and the Company's website. 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 comprehensive website, which is updated regularly, also contains various others investor-related information on the Company which serves as an important resource for investors.
15.3 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.	By supplying shareholders with reliable and timely information, the Company is able to strengthening the relationship with its shareholders based on trust and accessibility. The Company has a team of investor relations (IR) personnel who focus on facilitating the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance. To enable shareholders to contact the Company easily, the contact details of the IR personnel are set out in the contents page of this Annual Report as well as on the Company's website. The IR personnel have procedures in place for responding to investors' queries as soon as applicable.
15.4 The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings.	The Company notifies the investors' public in advance of the date of release of its financial results through a SGXNET announcement. Results for the first three quarters are released to shareholders no later than 20 days from the end of the quarter. Annual results are released within 15 days from the financial year end. 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, CFO and the Executive Directors to answer the relevant questions which the media and analysts may have. Outside of the financial announcement periods, when necessary and appropriate, the CEO will meet analysts and fund managers who like to seek a better understanding of the Group's operations. The CEO also engages with local and foreign investors to solicit feedback from the investment community on a range of strategic and topical issues which should provide valuable insights to the Board on investors' views. When opportunities arise, the CEO conducts media interviews to give its shareholders and the investors' public a profound prospective of the Group's business prospects.

CORPORATE GOVERNANCE REPORT (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.	The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

Conduct of shareholder meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guidelines of the Code	Qian Hu Corporate Governance practices
16.1 Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.	The Company supports active shareholder participation at general meetings. The shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategies and visions. If shareholders are unable to attend the meetings, 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.
16.2 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.	Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.
16.3 All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these 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 the auditors' report.
16.4 Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.	The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the resolutions tabled for approval 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 from shareholders, together with the responses from the Board and the Management, are publicly available on both the SGX website (www.sgx.com) and the Company's website after the meetings.
16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.	To have greater transparency in the voting process, with effect from the 2010 AGM, the Company conducts the voting of all its resolutions by poll at all its AGM and EGMs. The detailed voting results of each of the resolutions tabled 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.

V. OTHER CORPOARTE GOVERNANCE MATTERS

DEALING IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST on best practices in respect of dealing in securities, the Group has in place an internal code of conduct which prohibits the directors, key management personnel 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 management personnel 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.

MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interests of any director or controlling shareholder during the year under review.

INTERESTED PERSON TRANSACTIONS

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 AC, as well as 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 AC and the Board will ensure that the transaction are carried out based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders .

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of SGX-ST. Disclosure of interested person transactions is set out on page 136 of this Annual Report. There were no interested person transactions entered into by the Group in excess of $100,000 during the year under review.

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.

TABLE 1 – BOARD AND BOARD COMMITTEES

Name of director	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Kenny Yap Kim Lee (Executive / Non-independent)	Chairman	-	-	-	Member
Alvin Yap Ah Seng (Executive / Non-independent)	Member	-	-	-	-
Andy Yap Ah Siong (Executive / Non-independent)	Member	-	-	-	-
Lai Chin Yee (Executive / Non- independent)	Member	-	-	-	Member
Tan Tow Ee (Non-executive / Independent)	-	Chairman	Member	Member	Chairman
Chang Weng Leong (Non-executive / Independent)	-	Member	Member	Chairman	-
Sharon Yeoh Kar Choo (Non-executive / Independent)	-	Member	Chairman	Member	-

TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name of director	Board	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Number of meetings held	4	12	4	1	2	2
Number of meetings attended :						
Kenny Yap Kim Lee	4	12	4*	1*	1*	2
Alvin Yap Ah Seng	4	12	4*	-	-	-
Andy Yap Ah Siong	4	12	4*	-	-	-
Lai Chin Yee	4	12	4*	1*	1*	2
Tan Tow Ee	4	-	4	1	2	-
Chang Weng Leong	4	-	4	1	2	-
Sharon Yeoh Kar Choo	4	-	4	1	2	-

* Attendance by invitation of the Committee

TABLE 3 – REMUNERATION TABLE

Remuneration of directors

The breakdown of the total remuneration of the Directors of the Company for the year ended 31 December 2013 is set out below:

Name of Director	Salary	Bonus	Director's fees	Total remuneration
	$	$	$	$
Kenny Yap Kim Lee	303,600	-	-	303,600
Alvin Yap Ah Seng	273,600	-	-	273,600
Andy Yap Ah Siong	273,600	-	-	273,600
Lai Chin Yee	261,600	36,540	-	298,140
Tan Tow Ee	-	-	30,000	30,000
Chang Weng Leong			25,000	25,000
Sharon Yeoh Kar Choo	-	-	25,000	25,000
	1,112,400	36,540	80,000	1,228,940

- The salary and bonus amounts shown are inclusive of Central Provident Fund contributions.
- The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.
- The director's fees are subject to shareholders' approval at the Annual General Meeting.

Remuneration of key management personnel

The breakdown of total remuneration of the top five key management personnel of the Group (who are not directors) for the year ended 31 December 2013 is set out below:

Name of management personnel	Salary $	Bonus $	Allowances & benefits $	Total remuneration $
Jimmy Tan Boon Kim	240,000	21,000	-	261,000
Yap Kim Choon *	188,400	-	-	188,400
Lee Kim Hwat	150,300	17,956	-	168,256
Alex Chang Kuok Weai	153,600	17,400	-	171,000
Low Eng Hua	141,600	6,960	-	148,560
	873,900	63,316	-	937,216

* 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 share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

Remuneration of immediate family members of CEO and Executive Directors (remuneration amounts exceed $50,000 per annum)

The breakdown of total remuneration of employees who are immediate family members of the CEO and the Executive Directors whose remuneration exceed $50,000 per annum for the year ended 31 December 2013 is set out below:

Name of Executive	Salary $	Bonus $	Allowances & benefits $	Total remuneration $
Yap Ping Heng	101,700	-	-	101,700
Yap Hock Huat	101,700	-	-	101,700
Yap Kim Chuan	104,000	-	-	104,000
	307,400			307,400

Mr Yap Ping Heng, Mr Yap Hock Huat and Mr Yap Kim Chuan are brothers of Kenny Yap Kim Lee, the Executive Chairman & CEO and cousins of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the Executive Directors.

APPENDIX –
BOARD COMMITTEES' KEY TERMS OF REFERENCE

AUDIT COMMITTEE

- Review financial statements and formal announcements relating to financial performance, as well as discuss major risk areas and significant financial reporting issues and judgments contained in them, for better assurance of the integrity of such statements and announcements before submission for Board approval.
- Review and report to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls.
- Review the external auditors' proposed audit scope and approach and ensure that no unjustified restrictions or limitations have been placed on the scope.
- Review the cost effectiveness of the external audit, and where external auditors provide non-audit services to the Company, to review the nature, extent and cost of such services and the independence and objectivity of the external auditors.
- Review the internal audit programme with regard to the complementary roles of the external and internal audit functions.
- Receive reports of the external and internal auditors, and ensure that the significant findings and recommendations are discussed and addressed on a timely basis.
- Meet with external auditors and internal auditors, without the presence of management, at least annually.
- Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.
- Review the adequacy and effectiveness of the Company's internal audit function, at least annually.
- Ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, at least annually.
- Approve the hiring, removal evaluation and compensation of the outsourced internal audit function.
- Review the policy and arrangements by which employees of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken.
- Review and recommend for the Board's approval, all interested person transactions, as specified under Chapter 9 of the Listing Manual, to ensure that the transactions have been conducted on an arm's length basis.
- Investigate any matters within the Audit Committee's purview, whenever it deems necessary.
- Perform such other functions as the Board may determine.

NOMINATING COMMITTEE

- Review the nominations and recommend to the Board the appointment and re-appointment of directors.
- Annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and determine the suitable size of the Board which would facilitate decision-making after taking into consideration the scope and nature of the operations of the Company.
- Annual review of independence of each director, and to ensure that the Board comprises at least one-third independent directors. In this connection, the Nominating Committee should conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his first appointment.
- Where a director has multiple listed company board representations and/or other principal commitments, to decide whether the director is able to and has been adequately carrying out his duties as director of the Company.
- Recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director.
- Annual assessment of the effectiveness of the Board as a whole and of the individual directors.
- Review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman/CEO) and senior management personnel, including the training and professional development programmes for board members.
- Perform such other functions as the Board may determine.

REMUNERATION COMMITTEE

- Review and recommend to the Board a framework of remuneration for board members and key management personnel, and the specific remuneration packages for each director (executive and independent) as well as for the key management personnel.
- Review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous.
- Perform such other functions as the Board may determine.

Save that a member of this Committee shall not be involved in the deliberations in respect of any remuneration, compensation, award of shares or any form of benefits to be granted to him.

RISK MANAGEMENT COMMITTEE

- Receive, as and when appropriate, reports and recommendations from management on risk tolerance and strategy, and recommend to the Board for its determination the nature and extent of significant risks which the Group overall may take in achieving its strategic objectives and the Group's overall levels of risk tolerance and risk policies.
- Review and discuss, as and when appropriate, with management on the Group's risk governance structure and its risk policies and risk mitigation and monitoring processes and procedures.
- Receive and review reports from management on major risk exposures and the steps taken to monitor, control and mitigate such risks.
- Review the Group's capability to identify and manage new risk types.
- Review and monitor management's responsiveness to the findings and recommendations of the internal risk division.
- Provide timely input to the Board on critical risk issues.
- Perform such other functions as the Board may determine.

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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 2013.

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

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		
	1/1/2013	**31/12/2013**	**10/1/2014**	**1/1/2013**	**31/12/2013**	**10/1/2014**
The Company						
Ordinary shares						
Kenny Yap Kim Lee	14,000,000	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	–	–	–

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 10 January 2014, 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' Report (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

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 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 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

10 January 2014

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 95 to 149 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 2013 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

10 January 2014

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 2013, the income statements, statements of comprehensive income and statements of 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 95 to 149.

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, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 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
Chartered Accountants

Singapore
10 January 2014

Statements of Financial Position

As at 31 December 2013

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Non-current assets					
Property, plant and equipment	3	7,061,647	7,122,631	4,977,460	5,294,588
Biological assets	4	8,744,582	8,934,081	8,744,582	8,934,081
Intangible assets	5	343,048	343,048	343,048	343,048
Subsidiaries	6	–	–	2,169,615	2,063,156
Associates	7	611,213	708,143	815,200	815,200
Other receivables	8	2,480,000	3,720,000	2,480,000	3,720,000
		19,240,490	20,827,903	19,529,905	21,170,073
Current assets					
Biological assets	4	71,750	197,722	71,750	197,722
Inventories	9	16,636,069	16,222,031	7,410,321	6,928,953
Trade and other receivables	8	33,225,987	32,422,431	33,062,199	32,672,085
Cash and cash equivalents	10	6,712,349	8,272,353	3,620,884	4,975,280
		56,646,155	57,114,537	44,165,154	44,774,040
Total assets		75,886,645	77,942,440	63,695,059	65,944,113
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	18,736,426	21,756,608	11,548,179	14,478,844
		49,509,214	52,529,396	42,320,967	45,251,632
Non-controlling interests		1,485,309	1,590,439	–	–
Total equity		50,994,523	54,119,835	42,320,967	45,251,632
Non-current liabilities					
Financial liabilities	13	193,958	253,608	54,730	106,808
Deferred tax liabilities	14	410,000	410,000	380,000	380,000
		603,958	663,608	434,730	486,808
Current liabilities					
Trade and other payables	15	11,023,571	9,599,728	8,042,460	7,081,392
Financial liabilities	13	12,832,093	13,041,439	12,689,445	12,952,303
Current tax payable		432,500	517,830	207,457	171,978
		24,288,164	23,158,997	20,939,362	20,205,673
Total liabilities		24,892,122	23,822,605	21,374,092	20,692,481
Total equity and liabilities		75,886,645	77,942,440	63,695,059	65,944,113

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

Income Statements

Year ended 31 December 2013

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Revenue	16	83,462,054	84,443,056	50,750,782	49,442,041
Cost of sales		(59,257,611)	(59,061,516)	(37,873,412)	(36,896,256)
Gross profit		24,204,443	25,381,540	12,877,370	12,545,785
Other income (expenses)		204,197	(9,081,238)	1,307,021	1,908,680
Selling and distribution expenses		(1,625,811)	(1,742,368)	(718,450)	(750,196)
General and administrative expenses		(21,498,828)	(22,799,355)	(12,974,900)	(12,755,242)
Results from operating activities		1,284,001	(8,241,421)	491,041	949,027
Finance income		13,831	22,722	3,450	1,592
Finance expenses		(246,889)	(388,040)	(216,150)	(210,971)
Net finance expenses	17	(233,058)	(365,318)	(212,700)	(209,379)
Share of losses of associates, net of tax		(96,930)	(76,672)	–	–
Profit (Loss) before tax	18	954,013	(8,683,411)	278,341	739,648
Tax (expense) credit	19	(390,918)	(476,608)	(3,768)	108,116
Profit (Loss) for the year		563,095	(9,160,019)	274,573	847,764
Profit (Loss) attributable to:					
Equity holders of the Company		301,675	(9,136,582)	274,573	847,764
Non-controlling interests		261,420	(23,437)	–	–
Profit (Loss) for the year		563,095	(9,160,019)	274,573	847,764
Earnings (Loss) per share (cents)	21				
Basic		0.07	(2.01)		
Diluted		0.07	(2.01)		

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

Statements of Comprehensive Income

Year ended 31 December 2013

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Profit (Loss) for the year	563,095	(9,160,019)	274,573	847,764
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Translation differences relating to financial statements of foreign subsidiaries, net of tax	(188,566)	(402,278)	(26,493)	–
Other comprehensive income for the year, net of tax	(188,566)	(402,278)	(26,493)	–
Total comprehensive income for the year	374,529	(9,562,297)	248,080	847,764
Total comprehensive income attributable to:				
Equity holders of the Company	158,563	(9,445,437)	248,080	847,764
Non-controlling interests	215,966	(116,860)	–	–
Total comprehensive income for the year	374,529	(9,562,297)	248,080	847,764

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

Statements of Changes in Equity

Year ended 31 December 2013

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 2012		30,772,788	(1,544,213)	34,204,872	63,433,447	10,190,157	73,623,604
Total comprehensive income for the year							
Loss for the year		–	–	(9,136,582)	(9,136,582)	(23,437)	(9,160,019)
Other comprehensive income							
Translation differences relating to financial statements of foreign subsidiaries, net of tax		–	(308,855)	–	(308,855)	(93,423)	(402,278)
Total other comprehensive income		–	(308,855)	–	(308,855)	(93,423)	(402,278)
Total comprehensive income for the year		–	(308,855)	(9,136,582)	(9,445,437)	(116,860)	(9,562,297)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	22	–	–	(2,724,638)	(2,724,638)	–	(2,724,638)
Dividends to non-controlling shareholder of a subsidiary		–	–	–	–	(254,720)	(254,720)
Changes in ownership interests in subsidiary							
Disposal of subsidiary		–	1,266,024	–	1,266,024	(8,228,138)	(6,962,114)
Total transactions with owners		–	1,266,024	(2,724,638)	(1,458,614)	(8,482,858)	(9,941,472)
At 31 December 2012		30,772,788	(587,044)	22,343,652	52,529,396	1,590,439	54,119,835

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 2013		30,772,788	(587,044)	22,343,652	52,529,396	1,590,439	54,119,835
Total comprehensive income for the year							
Profit for the year		–	–	301,675	301,675	261,420	563,095
Other comprehensive income							
Translation differences relating to financial statements of foreign subsidiaries, net of tax		–	(143,112)	–	(143,112)	(45,454)	(188,566)
Total other comprehensive income		–	(143,112)	–	(143,112)	(45,454)	(188,566)
Total comprehensive income for the year		–	(143,112)	301,675	158,563	215,966	374,529
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	22	–	–	(3,178,745)	(3,178,745)	–	(3,178,745)
Dividends to non-controlling shareholder of a subsidiary		–	–	–	–	(216,720)	(216,720)
Changes in ownership interests in subsidiary							
Acquisition of additional interest in a subsidiary		–	–	–	–	(104,376)	(104,376)
Total transactions with owners		–	–	(3,178,745)	(3,178,745)	(321,096)	(3,499,841)
At 31 December 2013		30,772,788	(730,156)	19,466,582	49,509,214	1,485,309	50,994,523

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

Statements of Changes in Equity (cont'd)

Year ended 31 December 2013

	Note	Share capital $	Accumulated profits $	Currency translation reserve $	Total equity $
Company					
At 1 January 2012		30,772,788	16,355,718	–	47,128,506
Total comprehensive income for the year					
Profit for the year		–	847,764	–	847,764
Total comprehensive income for the year		–	847,764	–	847,764
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders	22	–	(2,724,638)	–	(2,724,638)
Total transactions with owners		–	(2,724,638)	–	(2,724,638)
At 31 December 2012		30,772,788	14,478,844	–	45,251,632
Total comprehensive income for the year					
Profit for the year		–	274,573	–	274,573
Other comprehensive income					
Translation differences relating to financial statements of foreign operations, net of tax		–	–	(26,493)	(26,493)
Total other comprehensive income		–	–	(26,493)	(26,493)
Total comprehensive income for the year		–	274,573	(26,493)	248,080
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders	22	–	(3,178,745)	–	(3,178,745)
Total transactions with owners		–	(3,178,745)	–	(3,178,745)
At 31 December 2013		30,772,788	11,574,672	(26,493)	42,320,967

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

Statement of Cash Flows

Year ended 31 December 2013

Group	Note	2013 $	2012 $
Cash flows from operating activities			
Profit (Loss) before tax		954,013	(8,683,411)
Adjustments for:			
Allowances for:			
- doubtful trade receivables		675,543	475,179
- inventory obsolescence		15,000	–
Bad trade receivables written off		108,698	33,346
Depreciation of:			
- property, plant and equipment		1,957,455	2,218,222
- biological assets		189,499	523,505
Property, plant and equipment written off		2,098	11,852
(Gain) Loss on disposal of:			
- property, plant and equipment		(44,105)	(66,008)
- a subsidiary		–	9,061,610
Impairment loss on investment in an associate		–	221,779
Change in fair value less estimated point-of-sale costs of breeder stocks		24,802	83,040
Share of losses of associates		96,930	76,672
Interest income		(13,831)	(22,722)
Interest expense		246,889	388,040
		4,212,991	4,321,104
Changes in working capital:			
Inventories		(598,051)	885,261
Breeder stocks		101,170	119,628
Trade and other receivables		(325,838)	(678,277)
Trade and other payables		745,251	(151,617)
Cash generated from operations		4,135,523	4,496,099
Tax paid		(461,028)	(911,666)
Net cash from operating activities		3,674,495	3,584,433
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,865,454)	(1,497,461)
Disposal of a subsidiary, net of cash and cash equivalents	23	–	(187,542)
Acquisition of additional interest in a subsidiary		(106,459)	–
Interest received		13,831	22,722
Proceeds from disposal of property, plant and equipment		82,115	111,033
Net cash used in investing activities		(1,875,967)	(1,551,248)

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

Statement of Cash Flows (cont'd)

Year ended 31 December 2013

Group	Note	2013 $	2012 $
Cash flows from financing activities			
Advances from:			
- non-controlling shareholders of a subsidiary		–	169,484
- a major shareholder of the Company		500,000	–
Dividends paid to:			
- equity holders		(3,178,745)	(2,724,638)
- non-controlling shareholder of a subsidiary		(216,720)	(254,720)
Drawdown of bank term loans		1,000,000	1,500,000
Interest paid		(245,997)	(387,160)
Payment of finance lease liabilities		(198,569)	(189,809)
Repayment of:			
- bank term loans		(1,000,000)	(291,533)
- loan from non-controlling shareholder		(7,696)	–
Net cash used in financing activities		(3,347,727)	(2,178,376)
Net decrease in cash and cash equivalents		(1,549,199)	(145,191)
Cash and cash equivalents at beginning of year		8,272,353	8,605,551
Effect of exchange rate fluctuations on cash held		(10,805)	(188,007)
Cash and cash equivalents at end of year	10	6,712,349	8,272,353

Significant non-cash transaction

During the financial year ended 31 December 2012, the Group disposed of its entire equity interest in Kim Kang Aquaculture Sdn. Bhd. for a consideration of $9,400,000 where $5,500,000 was satisfied in the form of brooder stocks. See note 23 to the financial statements for further details.

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 10 January 2014.

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 (breeder stock) 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 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 4 – estimated useful lives of brooder stocks
- Note 5 – key assumptions used in discounted cash flow projections
- Note 7 – impairment assessment of investment in associates
- Note 8 – recoverability of receivables

2.2 Changes in accounting policies

Fair value measurement

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS 107 *Financial Instruments: Disclosures*.

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

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 addresses changes in accounting policies.

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 profit or loss.

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 profit or loss.

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 profit or loss, 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).

Notes to the Financial Statements (cont'd)

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 foreign currency translation reserve related to that foreign operation is reclassified to profit or loss 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 profit or loss.

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 foreign currency 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 profit or loss as incurred.

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

The estimated useful lives 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
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 profit or loss. 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 at 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.

Notes to the Financial Statements (cont'd)

2.8 Intangible assets (cont'd)

***Other intangible assets** (cont'd)*

(b) Product listing fees

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

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

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

2.9 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

2.9 Financial instruments (cont'd)

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 profit or loss.

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 profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss 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 and inventories, 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.

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 profit or loss.

2.11 Impairment (cont'd)

***Non-financial assets** (cont'd)*

The recoverable amount of an asset or cash-generating unit is 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 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, if no impairment loss had been recognised.

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 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.

Financial assets are tested for impairment on an individual basis.

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

2.12 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss 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 Revenue recognition

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

2.14 Finance income and expenses

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

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

2.15 Tax

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 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.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. 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.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2.16 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

	Freehold land and buildings $	Leasehold land and buildings $	Leasehold improvements $	Motor vehicles $
Group				
Cost				
At 1 January 2012	6,450,964	9,139,378	923,959	2,608,371
Translation differences on consolidation	(131,899)	(20,522)	(31,717)	(43,516)
Additions	3,220	25,975	237,788	425,943
Disposals/Write offs/Transfers	(9,924)	–	–	(204,499)
Disposal of a subsidiary	(6,113,361)	–	–	(252,951)
At 31 December 2012	199,000	9,144,831	1,130,030	2,533,348
Translation differences on consolidation	(5,500)	(11,882)	(33,448)	(20,057)
Additions	–	662,077	144,308	311,441
Disposals/Write offs/Transfers	–	–	–	(186,162)
Reclassification	–	–	–	–
At 31 December 2013	193,500	9,795,026	1,240,890	2,638,570
Accumulated depreciation and impairment losses				
At 1 January 2012	1,203,702	5,149,472	499,436	1,729,573
Translation differences on consolidation	(24,751)	(13,143)	(20,885)	(27,645)
Depreciation charge for the year	163,897	844,764	126,754	355,316
Disposals/Write offs/Transfers	(1,918)	–	–	(179,730)
Disposal of a subsidiary	(1,288,722)	–	–	(246,815)
At 31 December 2012	52,208	5,981,093	605,305	1,630,699
Translation differences on consolidation	(1,443)	(9,264)	(13,870)	(15,648)
Depreciation charge for the year	9,675	823,250	132,372	330,997
Disposals/Write offs/Transfers	–	–	–	(148,153)
At 31 December 2013	60,440	6,795,079	723,807	1,797,895
Carrying amounts				
At 1 January 2012	5,247,262	3,989,906	424,523	878,798
At 31 December 2012	146,792	3,163,738	524,725	902,649
At 31 December 2013	133,060	2,999,947	517,083	840,675

Computers $	Furniture, fittings and office equipment $	Equipment and tools $	Machinery and equipment $	Electrical and installation $	Construction in-progress $	Total $
1,348,602	1,368,510	966,981	4,132,494	1,592,584	–	28,531,843
(12,926)	(31,738)	(21,614)	(23,799)	(25,005)	–	(342,736)
101,105	87,043	18,046	483,314	22,683	227,738	1,632,855
(18,451)	(25,183)	(1,385)	(39,051)	–	–	(298,493)
(8,531)	(104,956)	(557,026)	(24,744)	(48,033)	–	(7,109,602)
1,409,799	1,293,676	405,002	4,528,214	1,542,229	227,738	22,413,867
(12,900)	(24,096)	(40)	(6,492)	(21,128)	–	(135,543)
101,922	78,101	–	526,764	81,860	62,532	1,969,005
(9,725)	(6,998)	–	(7,641)	–	–	(210,526)
67,597	435	–	–		(68,032)	–
1,556,693	1,341,118	404,962	5,040,845	1,602,961	222,238	24,036,803
1,051,644	976,369	642,101	2,913,800	1,318,992	–	15,485,089
(19,091)	(21,510)	(14,427)	(19,890)	(18,918)	–	(180,260)
158,911	87,929	69,293	314,992	96,366	–	2,218,222
(8,223)	(11,796)	(739)	(28,026)	–	–	(230,432)
(604)	(104,956)	(339,112)	(16,163)	(5,011)	–	(2,001,383)
1,182,637	926,036	357,116	3,164,713	1,391,429	–	15,291,236
(9,110)	(15,069)	(1,985)	(15,692)	(21,036)	–	(103,117)
131,803	91,832	13,366	336,272	87,888	–	1,957,455
(8,486)	(6,433)	–	(7,346)	–	–	(170,418)
1,296,844	996,366	368,497	3,477,947	1,458,281	–	16,975,156
296,958	392,141	324,880	1,218,694	273,592	–	13,046,754
227,162	367,640	47,886	1,363,501	150,800	227,738	7,122,631
259,849	344,752	36,465	1,562,898	144,680	222,238	7,061,647

3 Property, plant and equipment (cont'd)

	Leasehold land and buildings $	Leasehold improvements $	Motor vehicles $	Computers $
Company				
Cost				
At 1 January 2012	8,688,970	227,854	968,253	883,467
Additions	25,975	97,283	241,358	56,255
Disposals/Write-offs	–	–	(78,344)	(3,488)
At 31 December 2012	8,714,945	325,137	1,131,267	936,234
Additions	225,589	72,814	63,584	44,821
Disposals/Write-offs	–	–	(12,250)	(6,880)
Reclassification	–	–	–	67,597
Translation differences	–	4,918	2,219	–
At 31 December 2013	8,940,534	402,869	1,184,820	1,041,772
Accumulated depreciation and impairment losses				
At 1 January 2012	4,861,039	41,254	612,659	713,060
Depreciation charge for the year	784,849	53,351	159,817	112,307
Disposals/Write-offs	–	–	(63,211)	(3,488)
At 31 December 2012	5,645,888	94,605	709,265	821,879
Depreciation charge for the year	781,632	55,615	149,920	85,469
Disposals/Write-offs	–	–	(12,250)	(5,641)
Translation differences	–	810	443	–
At 31 December 2013	6,427,520	151,030	847,378	901,707
Carrying amounts				
At 1 January 2012	3,827,931	186,600	355,594	170,407
At 31 December 2012	3,069,057	230,532	422,002	114,355
At 31 December 2013	2,513,014	251,839	337,442	140,065

The carrying amounts of property, plant and equipment of the Group and the Company include amounts totalling $389,023 (2012: $661,022) and $167,876 (2012: $264,125) 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 $1,969,005 (2012: $1,632,855), of which $103,551 (2012: $135,394) were acquired under finance leases. Cash payments of $1,865,454 (2012: $1,497,461) were made to purchase property, plant and equipment.

	Furniture, fittings and office equipment $	Machinery and equipment $	Electrical and installation $	Construction in-progress $	Total $
	428,193	1,717,314	369,621	–	13,283,672
	32,104	376,321	15,788	227,738	1,072,822
	–	(36,555)	–	–	(118,387)
	460,297	2,057,080	385,409	227,738	14,238,107
	9,628	506,433	40,515	62,532	1,025,916
	(1,276)	(7,641)	–	–	(28,047)
	435	–	–	(68,032)	–
	336	17,210	–	–	24,683
	469,420	2,573,082	425,924	222,238	15,260,659
	317,342	810,470	323,685	–	7,679,509
	27,760	209,230	11,013	–	1,358,327
	–	(27,618)	–	–	(94,317)
	345,102	992,082	334,698	–	8,943,519
	28,132	248,692	12,247	–	1,361,707
	(1,086)	(7,346)	–	–	(26,323)
	67	2,976	–	–	4,296
	372,215	1,236,404	346,945	–	10,283,199
	110,851	906,844	45,936	–	5,604,163
	115,195	1,064,998	50,711	227,738	5,294,588
	97,205	1,336,678	78,979	222,238	4,977,460

Notes to the Financial Statements (cont'd)

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 (sq m)	Carrying amount 2013 $	2012 $
Held by the Company					
- Leasehold buildings					
69 & 71 Jalan Lekar, Singapore	Fish farming	3 years from 11 November 2013	41,776	213,056	606,425
- Leasehold land and buildings					
78 Jalan Lekar, Singapore	Fish farming	20 years from 20 February 2008	19,343	2,299,958	2,462,632
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	56,350	64,467
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 January 2012 to 31 December 2014	1,740	–	30,214
JL. Raya Brantamulya Tengsaw No. 9 Tarik Kolot, Kecamatan Citeureup Bogor – Indonesia 16810	Fish Farming	30 years from 1 May 2013	1,343	430,583	–
Held through subsidiaries					
- Freehold land and buildings					
761 Rangsit - Nakornayok 52 Road, Pachatipat, Tanyaburi, Pathumtani, 12130 Thailand	Residential	Freehold	444	133,060	146,792
				3,133,007	3,310,530

4 Biological assets

	Brooder stocks			
	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Cost				
At 1 January	9,475,000	32,370,123	9,475,000	3,425,000
Translation differences on consolidation	–	(567,551)	–	–
Additions	–	6,050,000	–	6,050,000
Disposal of a subsidiary	–	(28,377,572)	–	–
At 31 December	9,475,000	9,475,000	9,475,000	9,475,000
Accumulated depreciation and impairment loss				
At 1 January	540,919	3,451,478	540,919	443,078
Translation differences on consolidation	–	(58,988)	–	–
Depreciation charge for the year	189,499	523,505	189,499	97,841
Disposal of a subsidiary	–	(3,375,076)	–	–
At 31 December	730,418	540,919	730,418	540,919
Carrying amount				
At 31 December	8,744,582	8,934,081	8,744,582	8,934,081
Estimated quantity at year end	1,850	1,850	1,850	1,850

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	
	2013	2012	2013	2012
	$	$	$	$
At 1 January	197,722	992,534	197,722	400,390
Change in fair value less estimated point-of-sale costs	(24,802)	(83,040)	(24,802)	(83,040)
Decreases due to sales	(1,047,170)	(1,467,145)	(1,047,170)	(890,530)
Net increase due to births	946,000	1,347,517	946,000	770,902
Disposal of a subsidiary	–	(592,144)	–	–
At 31 December	71,750	197,722	71,750	197,722
Estimated quantity at year end	214	508	214	508

During the financial year, the brooder stocks of the Group and the Company bred approximately 3,334 (2012: 5,058 and 2,193 respectively) of dragon fish.

Notes to the Financial Statements (cont'd)

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

	Trademarks/ Customer acquisition costs $	Product listing fees $	Goodwill on consolidation $	Total $
Group				
Cost				
At 1 January 2012	937,970	196,153	1,914,756	3,048,879
Translation differences on consolidation	(404)	–	–	(404)
Disposal of a subsidiary	–	–	(1,914,756)	(1,914,756)
At 31 December 2012	937,566	196,153	–	1,133,719
Translation differences on consolidation	(525)	–	–	(525)
At 31 December 2013	937,041	196,153	–	1,133,194
Accumulated amortisation and impairment loss				
At 1 January 2012	594,922	196,153	–	791,075
Translation differences on consolidation	(404)	–	–	(404)
At 31 December 2012	594,518	196,153	–	790,671
Translation differences on consolidation	(525)	–	–	(525)
At 31 December 2013	593,993	196,153	–	790,146
Carrying amounts				
At 1 January 2012	343,048	–	1,914,756	2,257,804
At 31 December 2012	343,048	–	–	343,048
At 31 December 2013	343,048	–	–	343,048

5 Intangible assets (cont'd)

	Trademarks/ Customer acquisition costs $	Product listing fees $	Goodwill on consolidation $	Total $
Company				
Cost				
At 1 January 2012, 31 December 2012 and 2013	921,497	196,153	–	1,117,650
Accumulated amortisation				
At 1 January 2012, 31 December 2012 and 2013	578,449	196,153	–	774,602
Carrying amounts				
At 1 January 2012, 31 December 2012 and 2013	343,048	–	–	343,048

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

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

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 2013 was determined in a similar manner as in 2012. No impairment loss was required for the carrying amount of trademarks/customer acquisition costs at 31 December 2013 and 31 December 2012 as the recoverable value was in excess of the carrying value.

Key assumptions used in discounted cash flow projection calculations

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

	Discount rate		Terminal value growth rate		Budgeted revenue growth	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Pet food	8.8%	11.1%	3.0%	3.0%	10.0%	10.0%

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 2013 $	Company 2012 $
Unquoted equity investments, at cost	2,169,615	2,063,156

Details of subsidiaries are as follows:

	Name of subsidiary	Principal activities	Country of incorporation and business	Effective equity held by the Group 2013 %	Effective equity held by the Group 2012 %	Cost of investment by the Company 2013 $	Cost of investment by the Company 2012 $
*	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	–	–
^	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
^	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	Trading of ornamental fish	Indonesia	90	55	381,459	275,000
						2,169,615	2,063,156

6 Subsidiaries (cont'd)

In February 2013, the Company acquired an additional 35% interest in P.T Qian Hu Joe Aquatic Indonesia.

KPMG LLP Singapore is the auditor of the Singapore-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 other certified public accountants. These subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.*

♦ *This represents the Group's effective interest in Qian Hu Marketing Co Ltd. The Company holds a 49% direct interest in Qian Hu Marketing Co Ltd and the remaining effective interest of 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	
	2013	2012	2013	2012
	$	$	$	$
Investment in associates, at cost	1,215,200	1,215,200	1,215,200	1,215,200
Impairment loss on investment	(221,779)	(221,779)	(400,000)	(400,000)
Share of post-acquisition losses	(382,208)	(285,278)	–	–
	611,213	708,143	815,200	815,200

Investment in associates at 31 December 2013 includes goodwill of $134,289 (2012: $134,289).

Details of associates are as follows:

	Name of associate	Principal activities	Country of incorporation	Effective equity held by the Group 2013 %	Effective equity held by the Group 2012 %
^	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.*

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

Notes to the Financial Statements (cont'd)

7 Associates (cont'd)

The financial information of the associates is as follows:

	2013 $	2012 $
Assets and liabilities		
Total assets	7,102,635	7,288,657
Total liabilities	4,210,014	4,901,466
Results		
Revenue	8,840,712	10,219,291
Expenses	9,368,996	10,639,925
Loss after taxation	528,284	420,634

Impairment of investment in associates

Significant judgement is required in determining the impairment of these associates at each reporting date and this requires the management to make estimates and assumptions that affect the financial statements.

Management is required to exercise judgement in determining whether there is objective evidence that an impairment loss has occurred.

Management has performed an impairment review to assess the recoverable amount of the associates. An impairment loss of $221,779 and $400,000 was recognised at the Group and at the Company, respectively, for the year ended 31 December 2012 to write down the carrying amount of the associates to their recoverable amounts. The estimates of the recoverable amount of the investments have been determined by management based on the net assets value of the associates as at 31 December 2012, which approximates the recoverable amount of the investment in the associates.

Management has performed an impairment review as at 31 December 2013 and determined that no additional or reversal of impairment loss is required in 2013.

The change in impairment loss in respect of investment in associates during the year is as follows:

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Balance at 1 January	221,779	–	400,000	–
Impairment loss recognised	–	221,779	–	400,000
Balance at 31 December	221,779	221,779	400,000	400,000

8 Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Trade receivables	30,033,485	28,900,045	23,774,124	23,398,341
Allowance for doubtful trade receivables	(2,620,154)	(2,135,131)	(2,495,234)	(1,913,823)
Net receivables	27,413,331	26,764,914	21,278,890	21,484,518
Deposits	439,593	298,206	66,990	84,560
Deposits for purchase of property, plant and equipment	451,870	478,231	22,393	448,806
Prepayments	580,246	561,287	241,974	307,820
Advances to suppliers	2,335,312	2,552,793	2,101,030	2,307,170
Tax recoverable	14,875	26,243	–	–
Other receivables	4,090,759	5,133,561	3,898,794	5,058,541
Amounts due from:				
- subsidiaries (trade)	–	–	6,380,750	5,946,793
- subsidiaries (non-trade)	–	–	1,171,377	426,681
- associates (trade)	380,001	327,196	380,001	327,196
	35,705,987	36,142,431	35,542,199	36,392,085
Non-current	2,480,000	3,720,000	2,480,000	3,720,000
Current	33,225,987	32,422,431	33,062,199	32,672,085
	35,705,987	36,142,431	35,542,199	36,392,085

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

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
US Dollar	2,970,179	3,258,201	1,803,666	2,232,814
Euro	1,446,721	1,352,762	1,414,999	1,344,471
Ringgit Malaysia	1,157,092	1,219,599	–	–
Thai Baht	528,298	620,494	–	–
Chinese Renminbi	3,794,078	1,041,473	2,446,766	506,562
Indonesian Rupiah	2,760	3,818	–	–

8 Trade and other receivables (cont'd)

Impairment losses

The ageing of trade receivables at the reporting date is:

	Gross receivables 2013 $	Impairment loss 2013 $	Gross receivables 2012 $	Impairment loss 2012 $
Group				
Not past due	6,915,545	–	6,831,244	–
Past due 0 – 30 days	3,952,647	–	3,407,083	–
Past due 31 – 60 days	1,986,694	–	1,746,727	–
Past due 61 – 90 days	1,385,497	–	1,359,180	–
Past due more than 90 days	15,793,102	2,620,154	15,555,811	2,135,131
	30,033,485	2,620,154	28,900,045	2,135,131
Company				
Not past due	4,435,560	–	4,554,781	–
Past due 0 – 30 days	1,958,313	–	1,825,401	–
Past due 31 – 60 days	1,210,270	–	1,210,918	–
Past due 61 – 90 days	1,140,603	–	1,130,248	–
Past due more than 90 days	15,029,378	2,495,234	14,676,993	1,913,823
	23,774,124	2,495,234	23,398,341	1,913,823

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

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
At 1 January	2,135,131	1,661,636	1,913,823	1,627,723
Impairment loss recognised	675,543	475,179	607,693	286,100
Amount written off against allowance made	(184,216)	(1,586)	(26,282)	–
Translation differences on consolidation	(6,304)	(98)	–	–
At 31 December	2,620,154	2,135,131	2,495,234	1,913,823

Trade and other receivables of the Group and Company as at 31 December 2013 include approximately $11.5 million (2012: $11.4 million) owing by Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH), a former subsidiary of the Group. These include trade receivables of $10.0 million (2012: $10.0 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 prior to its disposal is guaranteed by a major shareholder of the Company as disclosed in note 24.

Included in other receivables of the Group and Company as at 31 December 2013 is a non-trade amount of approximately $1.1 million (2012: $1.5 million) and $2.6 million (2012: $3.5 million) owing by Kim Kang Aquaculture Sdn. Bhd. (KKSB), a former subsidiary of the Group and the purchasers of KKSB respectively. The latter is guaranteed by one of the purchasers of KKSB.

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.

9 Inventories

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Fish	3,888,444	3,552,786	3,054,871	2,503,962
Accessories	11,897,846	11,857,926	4,355,450	4,424,991
Raw materials – plastic products	293,777	288,341	–	–
Finished goods – plastic products	556,002	522,978	–	–
	16,636,069	16,222,031	7,410,321	6,928,953

10 Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Fixed deposits with a financial institution	25,446	25,446	25,446	25,446
Cash and bank balances	6,686,903	8,246,907	3,595,438	4,949,834
	6,712,349	8,272,353	3,620,884	4,975,280

Fixed deposits bear effective interest rates ranging from 0.5% to 0.7% (2012: 0.5% to 0.7%) per annum. The fixed deposits were pledged to a financial institution to secure performance guarantees issued by that financial institution for the year ended 31 December 2012.

Cash and bank balances earn interests at floating rates based on daily bank deposit rates from 0% to 0.1% (2012: 0% to 0.1%) per annum.

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
US Dollar	1,219,806	745,783	1,103,423	389,890
Euro	54,223	72,116	32,103	30,910
Ringgit Malaysia	493,281	644,753	–	–
Thai Baht	1,394,893	1,001,949	–	–
Chinese Renminbi	749,175	572,066	271,136	–
Indonesian Rupiah	24,699	143,052	–	–

Notes to the Financial Statements (cont'd)

11 Share capital

	Company			
	2013 $	2013 No. of shares	2012 $	2012 No. of shares
Fully paid ordinary shares, with no par value:				
At 31 December	30,772,788	454,106,350	30,772,788	454,106,350

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

Capital management

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

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding 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 includes 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	
	2013 $	2012 $	2013 $	2012 $
Net debt	17,337,273	14,622,422	17,165,751	15,165,223
Total equity	50,994,523	54,119,835	42,320,967	45,251,632
Total capital	68,331,796	68,742,257	59,486,718	60,416,855

	Group		Company	
	2013	2012	2013	2012
Gearing ratio	0.25	0.21	0.29	0.25

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2012 and 2013. 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 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Accumulated profits	19,466,582	22,343,652	11,574,672	14,478,844
Currency translation reserve	(730,156)	(587,044)	(26,493)	–
	18,736,426	21,756,608	11,548,179	14,478,844

The currency translation reserve of the Group and the Company 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 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Non-current liabilities				
Finance lease liabilities	193,958	253,608	54,730	106,808
Current liabilities				
Singapore dollar short-term loans (unsecured)	12,000,000	12,000,000	12,000,000	12,000,000
Bills payable to banks (unsecured)	700,138	883,938	638,929	883,938
Finance lease liabilities	131,955	157,501	50,516	68,365
	12,832,093	13,041,439	12,689,445	12,952,303
Total borrowings	13,026,051	13,295,047	12,744,175	13,059,111

The unsecured short-term loans are revolving bank loans which bear interest at rates from 1.21% to 1.68% (2012: 1.23% to 1.50%) per annum and are repayable within the next 12 months from the reporting date.

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 5.46% (2012: 5.25%) and 5.25% (2012: 5.25%) respectively. These bills mature within 1 to 4 months from the reporting date.

Finance lease liabilities

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

	2013 Principal $	2013 Interest $	2013 Payments $	2012 Principal $	2012 Interest $	2012 Payments $
Group						
Repayable within 1 year	131,955	18,447	150,402	157,501	20,543	178,044
Repayable after 1 year but within 5 years	193,958	24,929	218,887	253,608	29,577	283,185
	325,913	43,376	369,289	411,109	50,120	461,229
Company						
Repayable within 1 year	50,516	7,374	57,890	68,365	10,423	78,788
Repayable after 1 year but within 5 years	54,730	7,828	62,558	106,808	15,379	122,187
	105,246	15,202	120,448	175,173	25,802	200,975

13 Financial liabilities (cont'd)

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 4.98% (2012: 4.43%) and 5.68% (2012: 5.94%) respectively.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

		Cash flows			
	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 1 to 5 years $	More than 5 years $
Group					
2013					
Bills payable to banks	700,138	738,366	738,366	–	–
S$ floating rate loans	12,000,000	12,173,400	12,173,400	–	–
Finance lease liabilities	325,913	369,289	150,402	218,887	–
Trade and other payables	11,023,571	11,023,571	11,023,571	–	–
	24,049,622	24,304,626	24,085,739	218,887	–
2012					
Bills payable to banks	883,938	930,345	930,345	–	–
S$ floating rate loans	12,000,000	12,163,800	12,163,800	–	–
Finance lease liabilities	411,109	461,229	178,044	283,185	–
Trade and other payables	9,599,728	9,599,728	9,599,728	–	–
	22,894,775	23,155,102	22,871,917	283,185	–
Company					
2013					
Bills payable to banks	638,929	672,473	672,473	–	–
S$ floating rate loans	12,000,000	12,173,400	12,173,400	–	–
Finance lease liabilities	105,246	120,448	57,890	62,558	–
Trade and other payables	8,042,460	8,042,460	8,042,460	–	–
	20,786,635	21,008,781	20,946,223	62,558	–
2012					
Bills payable to banks	883,938	930,345	930,345	–	–
S$ floating rate loans	12,000,000	12,163,800	12,163,800	–	–
Finance lease liabilities	175,173	200,975	78,788	122,187	–
Trade and other payables	7,081,392	7,081,392	7,081,392	–	–
	20,140,503	20,376,512	20,254,325	122,187	–

14 Deferred tax liabilities

	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Deferred tax liabilities				
Property, plant and equipment and biological assets	410,000	410,000	380,000	380,000

Movement in deferred tax liabilities

	Note	Group $	Company $
At 1 January 2012		4,200,213	556,595
Recognised in profit or loss	19	(174,595)	(176,595)
Translation differences on consolidation		(67,955)	–
Disposal of a subsidiary		(3,547,663)	–
At 31 December 2012 and 2013		410,000	380,000

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 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Trade payables	6,742,660	5,537,314	3,147,320	2,666,821
Accrued operating expenses	401,018	359,042	285,524	281,315
Other payables	1,627,152	1,683,298	1,398,462	1,432,852
Accrued staff costs	1,531,524	1,657,606	1,149,600	1,285,877
Advance received from customers	221,217	332,984	188,662	317,112
Amounts due to subsidiaries				
- trade	–	–	133,615	55,114
- non-trade	–	–	1,239,277	1,042,301
Amount due to non-controlling shareholder of a subsidiary				
- non-trade	–	29,484	–	–
Amount due to a major shareholder of the Company				
- non-trade	500,000	–	500,000	–
	11,023,571	9,599,728	8,042,460	7,081,392

Other payables are interest-free and have an average term of three months. The non-trade amounts due to subsidiaries, non-controlling shareholder of a subsidiary and a major shareholder of the Company 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	
	2013	2012	2013	2012
	$	$	$	$
US Dollar	488,078	978,672	296,689	706,040
Euro	730,654	849,901	730,654	849,901
Ringgit Malaysia	742,215	627,653	8,185	15,933
Japanese Yen	106,191	118,441	106,191	118,441
Thai Baht	231,192	168,038	–	–
Chinese Renminbi	1,925,292	957,113	914,292	264,891
Australian Dollar	228,073	338,589	228,073	338,589
Hong Kong Dollar	41,123	80,884	41,123	80,884
New Taiwan Dollar	64,294	104,441	45,293	61,055
Indonesian Rupiah	18,985	18,680	–	–

16 Revenue

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Sale of goods				
- fish	34,561,433	36,280,555	24,530,474	22,776,580
- accessories	36,680,370	36,873,740	26,220,308	26,665,461
- plastics	12,220,251	11,288,761	–	–
	83,462,054	84,443,056	50,750,782	49,442,041

17 Net finance expenses

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Interest income				
- bank deposits	13,831	22,722	3,450	1,592
Interest expense				
- bank loans and overdrafts	(184,560)	(205,965)	(177,573)	(169,412)
- bills payable to banks	(34,065)	(149,348)	(28,154)	(28,288)
- finance lease liabilities	(28,264)	(32,727)	(10,423)	(13,271)
	(246,889)	(388,040)	(216,150)	(210,971)
Net finance expenses	(233,058)	(365,318)	(212,700)	(209,379)

18 Profit (Loss) before tax

The following items have been included in arriving at profit (loss) before tax:

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Allowance for				
- doubtful trade receivables	675,543	475,179	607,693	286,100
- inventory obsolescence	15,000	–	15,000	–
Bad trade receivables written off	108,698	33,346	75,240	28,412
Auditors' remuneration				
- auditors of the Company	90,000	87,000	77,000	75,000
- other auditors	13,842	26,687	–	–
Non-audit fees				
- other auditors	30,200	30,220	24,000	22,650
Depreciation of				
- property, plant and equipment	1,957,455	2,218,222	1,361,707	1,358,327
- biological assets	189,499	523,505	189,499	97,841
Exchange gain, net	(988,382)	(319,607)	(591,389)	(11,307)
Operating lease expense	1,270,171	1,132,374	309,932	241,450
Property, plant and equipment written off	2,098	11,852	1,723	8,018
Staff costs				
- salaries and bonus	11,264,591	11,443,046	7,070,051	6,962,787
- provident fund contributions	747,912	755,095	457,674	437,559
- staff welfare benefits	812,491	757,627	577,767	494,004
Directors' fees				
- directors of the Company	80,000	80,000	80,000	80,000
Change in fair value less estimated point-of-sale costs of breeder stocks	24,802	83,040	24,802	83,040
Other (income) expenses				
- gain on disposal of property, plant and equipment	(44,105)	(66,008)	(967)	(29,412)
- dividend income received from subsidiaries	–	–	(1,237,678)	(1,384,793)
- loss (gain) on disposal of a subsidiary	–	9,061,610	–	(861,609)
- impairment loss on investment in an associate	–	221,779	–	400,000
- sundry income	(160,092)	(136,143)	(68,376)	(32,866)

19 Tax expense (credit)

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Tax recognised in profit or loss					
Current tax expense					
Current year		402,362	524,329	33,768	68,479
(Over) Under provision in respect of prior years		(11,444)	126,874	(30,000)	–
		390,918	651,203	3,768	68,479
Deferred tax income					
Origination and reversal of temporary differences		–	(174,595)	–	(176,595)
	14	–	(174,595)	–	(176,595)
Total tax expense (credit)		390,918	476,608	3,768	(108,116)
Reconciliation of effective tax rate					
Profit (Loss) before tax		954,013	(8,683,411)	278,341	739,648
Tax using Singapore tax rate of 17% (2012: 17%)		162,182	(1,476,180)	47,318	125,740
Expenses not deductible for tax purposes		256,056	2,119,195	34,499	125,280
Income not subject to tax		(245,819)	(452,093)	(210,405)	(424,730)
Effect of different tax rates in other countries		52,043	93,668	–	–
(Over) Under provision in respect of prior years		(11,444)	126,874	(30,000)	–
Deferred tax assets (liabilities) not recognised		26,779	(4,687)	–	–
Others		151,121	69,831	162,356	65,594
Tax expense		390,918	476,608	3,768	(108,116)

Tax recognised in other comprehensive income

There is no 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:

	Group Number of directors 2013	2012
Remuneration of:		
$500,000 and above	–	–
$250,000 to $499,999	4	4
Below $250,000	3	3
	7	7

Names of director	Salary $	Bonus $	Directors' fees $	Total $
Group				
2013				
Kenny Yap Kim Lee	303,600	–	–	303,600
Alvin Yap Ah Seng	273,600	–	–	273,600
Andy Yap Ah Siong	273,600	–	–	273,600
Lai Chin Yee	261,600	36,540	–	298,140
Chang Weng Leong	–	–	30,000	30,000
Tan Tow Ee	–	–	25,000	25,000
Sharon Yeoh Kar Choo	–	–	25,000	25,000
Total	1,112,400	36,540	80,000	1,228,940
2012				
Kenny Yap Kim Lee	303,600	–	–	303,600
Alvin Yap Ah Seng	273,600	–	–	273,600
Andy Yap Ah Siong	273,600	–	–	273,600
Lai Chin Yee	261,600	24,360	–	285,960
Chang Weng Leong	–	–	30,000	30,000
Tan Tow Ee	–	–	25,000	25,000
Sharon Yeoh Kar Choo	–	–	25,000	25,000
	1,112,400	24,360	80,000	1,216,760

21 Earnings (Loss) per share

	Group	
	2013	2012
Profit (Loss) attributable to equity holders of the Company ($)	301,675	(9,136,582)
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	454,106,350	454,106,350
Basic earnings (loss) per share (cents)	0.07	(2.01)
Diluted earnings (loss) per share (cents)	0.07	(2.01)

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

The calculation of diluted earnings (loss) per share at 31 December was based on profit (loss) 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.

22 Dividends

	Group and Company	
	2013	2012
	$	$
First and final dividend paid of 0.6 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2011	–	2,724,638
First and final dividend paid of 0.2 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2012	908,213	–
Special interim dividend paid of 0.5 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2013	2,270,532	–
	3,178,745	2,724,638

The directors have proposed a final dividend of $0.001 (2012: $0.002) per ordinary share, one-tier tax exempt, totalling $454,106 (2012: $908,213) in respect of the financial year ended 31 December 2013. 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 2014.

23 Note to consolidated statement of cash flows

During the financial year ended 31 December 2012, the Group disposed of a partially owned subsidiary, Kim Kang Aquaculture Sdn. Bhd. (KKSB), to its non-controlling shareholders.

The attributable assets and liabilities of KKSB disposed of and the cash flows relating to the disposal are set out as follows:

	Group	
	2013	2012
	$	$
Property, plant and equipment	–	5,108,219
Brooder stocks	–	25,002,496
Inventories	–	2,308,162
Breeder stocks	–	592,144
Trade and other receivables	–	1,470,372
Cash and bank balances	–	187,542
Trade and other payables	–	(1,583,139)
Bills payable to banks (unsecured)	–	(3,483,600)
Amount due to:	–	
- Qian Hu Corporation Limited	–	(2,363,340)
- related companies	–	(39,017)
- non-controlling shareholders	–	(140,000)
Bank term loans	–	(470,588)
Deferred tax liabilities	–	(3,547,663)
Non-controlling interests	–	(8,064,554)
Net assets disposed	–	14,977,034
Realisation of reserves	–	1,569,820
Loss on disposal of a subsidiary	–	(9,061,610)
Goodwill on consolidation	–	1,914,756
Total consideration	–	9,400,000
Less:		
Cash and bank balances on disposal of subsidiary	–	(187,542)
Consideration in the form of brooder stocks	–	(5,500,000)
Deferred cash settlement	–	(3,900,000)
Net cash outflow on disposal of subsidiary	–	(187,542)

KKSB contributed a net loss after tax of $769,496 for the period from 1 January 2012 to 30 September 2012.

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 of the Group are those persons having the authority and responsibility for planning, directing and controlling the authorities of the entity. The directors are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	Group	
	2013	**2012**
	$	**$**
Short-term employee benefits		
- directors of the Company	1,228,940	1,216,760
- other key management personnel	1,277,859	1,458,468
	2,506,799	2,675,228

Other related party transactions

As mentioned in Note 8, trade and other receivables amounting to approximately $9.8 million (2012: $10.9 million) due from a former subsidiary are guaranteed by a major shareholder of the Company. The Company is 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	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Sales to subsidiaries	–	–	6,917,568	7,144,252
Purchases from subsidiaries	–	–	1,481,068	2,168,561
Purchases from associates	8,358	193,816	8,358	193,816
Rental paid to a non-controlling shareholder of a subsidiary	–	14,240	–	–
Fees paid to a company in which a director has an interest	15,700	14,500	15,700	14,500
Guarantee fee paid to a major shareholder of the Company	45,000	50,000	45,000	50,000
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 Kim Kang Aquaculture Sdn. Bhd. up to the date of disposal in 2012.

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.

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 tax, as included in the internal management reports that are reviewed by the Group's Executive Chairman and Managing Director. Profit before 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.

Notes to the Financial Statements (cont'd)

25 Operating segments (cont'd)

Information about reportable segments

	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
2013					
Revenue					
External revenue	34,562	36,680	12,220	–	83,462
Inter-segment revenue	1,663	8,783	217	(10,663)	–
Total revenue	36,225	45,463	12,437	(10,663)	83,462
Results					
EBITDA*	2,119	2,528	797	(2,013)	3,431
Depreciation and amortisation	(1,282)	(782)	(83)	–	(2,147)
Interest expense	(22)	(46)	(1)	(178)	(247)
Interest income	11	3	–	–	14
Operating profit	826	1,703	713	(2,191)	1,051
Share of losses of associates	–	(97)	–	–	(97)
Profit (Loss) before tax	826	1,606	713	(2,191)	954
Tax expense	(151)	(175)	(65)	–	(391)
Profit (Loss) for the year	675	1,431	648	(2,191)	563
Assets and liabilities					
Segment assets	29,534	38,769	3,825	3,759	75,887
Investment in associates	–	611	–	–	611
Segment liabilities	4,503	5,597	1,929	12,863	24,892
Other segment information					
Expenditure for non-current assets	964	929	76	–	1,969
Other non-cash items:					
Bad trade receivables written off	103	6	–	–	109
Property, plant and equipment written off	1	1	–	–	2
Allowance for:					
- doubtful trade receivables	608	68	–	–	676
- inventory obsolescence	–	15	–	–	15
Change in fair value less estimated point-of-sale costs of breeder stocks	25	–	–	–	25
Loss (Gain) on disposal of property, plant and equipment	3	(45)	(2)	–	(44)

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

25 Operating segments (cont'd)

	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
2012					
Revenue					
External revenue	36,280	36,874	11,289	–	84,443
Inter-segment revenue	2,166	8,227	138	(10,531)	–
Total revenue	38,446	45,101	11,427	(10,531)	84,443
Results					
EBITDA*	2,267	2,631	1,027	(2,140)	3,785
Depreciation and amortisation	(1,866)	(789)	(87)	–	(2,742)
Interest expense	(167)	(51)	(1)	(169)	(388)
Interest income	20	3	–	–	23
Operating profit	254	1,794	939	(2,309)	678
Loss on disposal of a subsidiary	(9,062)	–	–	–	(9,062)
Impairment loss on associates	–	(222)	–	–	(222)
Share of losses of associates	–	(77)	–	–	(77)
(Loss) Profit before tax	(8,808)	1,495	939	(2,309)	(8,683)
Tax expense	(129)	(208)	(140)	–	(477)
(Loss) Profit for the year	(8,937)	1,287	799	(2,309)	(9,160)
Assets and liabilities					
Segment assets	30,857	38,463	3,613	5,009	77,942
Investment in associates	–	708	–	–	708
Segment liabilities	4,396	5,363	1,665	12,398	23,822
Other segment information					
Expenditure for non-current assets	1,103	495	35	–	1,633
Other non-cash items:					
Bad trade receivables written off	33	–	–	–	33
Property, plant and equipment written off	2	9	1	–	12
Allowance for doubtful trade receivables	239	236	–	–	475
Change in fair value less estimated point-of-sale costs of breeder stocks	83	–	–	–	83
Gain on disposal of property, plant and equipment	(38)	(28)	–	–	(66)

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

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.

25 Operating segments (cont'd)

Geographical Information

	Singapore $'000	Other Asian countries $'000	Europe $'000	Others $'000	Consolidated $'000
2013					
Revenue from external customers	24,141	42,804	9,416	7,101	83,462
Segment non-current assets	16,459	2,449	331	–	19,239
Segment assets	57,072	18,484	331	–	75,887
2012					
Revenue from external customers	24,689	42,214	8,718	8,822	84,443
Segment non-current assets	18,190	2,225	413	–	20,828
Segment assets	61,187	16,342	413	–	77,942

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 tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group $	Company $
31 December 2013		
US Dollar	(370,191)	(261,040)
Euro	(77,029)	(71,645)
Ringgit Malaysia	(90,816)	818
Japanese Yen	10,619	10,619
Thai Baht	(169,200)	–
Chinese Renminbi	(261,796)	(180,361)
Australian Dollar	22,807	22,807
New Taiwan Dollar	6,429	4,529
Hong Kong Dollar	4,112	4,112
Indonesian Rupiah	(847)	–
31 December 2012		
US Dollar	(302,531)	(191,666)
Euro	(57,498)	(52,548)
Ringgit Malaysia	(123,670)	1,593
Japanese Yen	11,844	11,844
Thai Baht	(145,441)	–
Chinese Renminbi	(65,643)	(24,167)
Australian Dollar	33,859	33,859
New Taiwan Dollar	10,444	6,106
Hong Kong Dollar	8,088	8,088
Indonesian Rupiah	(12,819)	–

Notes to the Financial Statements (cont'd)

26 Financial risk management (cont'd)

Foreign currency risk *(cont'd)*

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

Business risk

The main risk arising from the Group's livestock is business risk. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good healthcare management and hygiene for its livestock. Currently, all its domestic and overseas fish operations have attained ISO 9001 : 2008 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
Group			
2013			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	700	–	700
Finance lease liabilities	132	194	326
Floating rate			
Bank term loans	12,000	–	12,000
Company			
2013			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	639	–	639
Finance lease liabilities	50	55	105
Floating rate			
Bank term loans	12,000	–	12,000

26 Financial risk management (cont'd)

	Within 1 year $'000	1 to 5 years $'000	Total $'000
Group			
2012			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	884	–	884
Finance lease liabilities	157	254	411
Floating rate			
Bank term loans	12,000	–	12,000
Company			
2012			
Financial assets			
Fixed rate			
Fixed deposits	25	–	25
Financial liabilities			
Fixed rate			
Bills payable to banks	884	–	884
Finance lease liabilities	68	107	175
Floating rate			
Bank term loans	12,000	–	12,000

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.

26 Financial risk management (cont'd)

Cash flow sensitivity analysis for variable rate instruments

For the variable rate financial assets and liabilities, a change of 100 basis point (bp) in interest rate at the reporting date would increase (decrease) profit before 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 2013		
Floating rate instruments	(120,000)	120,000
31 December 2012		
Floating rate instruments	(120,000)	120,000
Company		
31 December 2013		
Floating rate instruments	(120,000)	120,000
31 December 2012		
Floating rate instruments	(120,000)	120,000

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 $1.6 million (2012: $8.8 million).

26 **Financial risk management** (cont'd)

Financial instruments by category

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	Loans and receivables $	Liabilities at amortised cost $	Total carrying amount $	Fair value $
2013				
Group				
Financial assets				
Trade and other receivables*	32,790,429	–	32,790,429	32,790,429
Cash and cash equivalents	6,712,349	–	6,712,349	6,712,349
	39,502,778	–	39,502,778	39,502,778
Financial liabilities				
Finance lease liabilities	–	(325,913)	(325,913)	(325,913)
Bank term loans	–	(12,000,000)	(12,000,000)	(12,000,000)
Bills payable to banks	–	(700,138)	(700,138)	(700,138)
Trade and other payables	–	(11,023,571)	(11,023,571)	(11,023,571)
	–	(24,046,622)	(24,046,622)	(24,046,622)
Company				
Financial assets				
Trade and other receivables*	33,199,195	–	33,199,195	33,199,195
Cash and cash equivalents	3,620,884	–	3,620,884	3,620,884
	36,820,079	–	36,820,079	36,820,079
Financial liabilities				
Finance lease liabilities	–	(105,246)	(105,246)	(105,246)
Bank term loans	–	(12,000,000)	(12,000,000)	(12,000,000)
Bills payable to banks	–	(638,929)	(638,929)	(638,929)
Trade and other payables	–	(8,042,460)	(8,042,460)	(8,042,460)
	–	(20,786,635)	(20,786,635)	(20,786,635)

* *excluding prepayments and advances to suppliers*

26 **Financial risk management** (cont'd)

Financial instruments by category (cont'd)

	Loans and receivables $	Liabilities at amortised cost $	Total carrying amount $	Fair value $
2012				
Group				
Financial assets				
Trade and other receivables*	33,028,351	–	33,028,351	33,028,351
Cash and cash equivalents	8,272,353	–	8,272,353	8,272,353
	41,300,704	–	41,300,704	41,300,704
Financial liabilities				
Finance lease liabilities	–	(411,109)	(411,109)	(411,109)
Bank term loans	–	(12,000,000)	(12,000,000)	(12,000,000)
Bills payable to banks	–	(883,938)	(883,938)	(883,938)
Trade and other payables	–	(9,599,728)	(9,599,728)	(9,599,728)
	–	(22,894,775)	(22,894,775)	(22,894,775)
Company				
Financial assets				
Trade and other receivables*	33,777,095	–	33,777,095	33,777,095
Cash and cash equivalents	4,975,280	–	4,975,280	4,975,280
	38,752,375	–	38,752,375	38,752,375
Financial liabilities				
Finance lease liabilities	–	(175,173)	(175,173)	(175,173)
Bank term loans	–	(12,000,000)	(12,000,000)	(12,000,000)
Bills payable to banks	–	(883,938)	(883,938)	(883,938)
Trade and other payables	–	(7,081,392)	(7,081,392)	(7,081,392)
	–	(20,140,503)	(20,140,503)	(20,140,503)

* *excluding prepayments and advances to suppliers*

27 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumption made in determining fair value is disclosed in the notes specific to that asset or liability.

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.

Biological assets - 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 profit or loss. 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.

Fair value hierarchy

The table below analyses recurring non-financial assets carried at fair value. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Breeder stocks	–	–	71,750	71,750

The entity's policy is to recognise transfers out of Level 3 as of the end of the reporting period during which the transfer occurred.

Notes to the Financial Statements (cont'd)

27 Determination of fair values (cont'd)

Level 3 fair values

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements.

	Breeder stocks $
Balance at 1 January 2013	197,722
Gains and losses for the year	
Changes in fair value less estimated point-of-sale costs	(24,802)
Decreases due to sales	(1,047,170)
Net increase due to births	946,000
Balance at 31 December 2013	71,750

The following table shows the key unobservable inputs used in the valuation models:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Biological assets		
Breeder stocks	• Premiums on quality, estimated based on colour and size • Estimated future breeder market price	The estimated fair value increases the higher is the estimated selling price and premium of breeder.

Valuation processes applied by the Group

The assessment of fair value of breeder stocks is performed by the Group's finance department and operations team on a quarterly basis. The finance department reports to the Group's Chief Financial Officer (CFO).

28 Commitments

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

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Payable:				
- Within 1 year	311,494	142,013	–	76,593
- After 1 year but within 5 years	450,867	–	–	–
	762,361	142,013	–	76,593

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

29 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 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Group that are expected to have a significant effect on the financial statements of the Group and the Company in future financial periods, and which the Group does not plan to early adopt except as otherwise indicated below, are set out below.

Applicable for the Group's 2014 financial statements

- FRS 110 *Consolidated Financial Statements* introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure, or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of *de facto* circumstances.

- FRS 112 *Disclosure of Interests in Other Entities* brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. FRS 112 requires the disclosure of information about the nature, risks and financial effects of these interests.

  FRS 110 and FRS 112 are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

- Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, which clarifies the existing criteria for net presentation on the face of the statement of financial position.

Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group currently offsets receivables and payables due from/to the same counterparty if the Group has the legal right to set off the amounts when it is due and payable based on the contractual terms of the arrangement with the counterparty, and the Group intends to settle the amounts on a net basis. Based on the local laws and regulations in certain jurisdictions in which the counterparties are located, the set-off rights are set aside in the event of bankruptcy of the counterparties. On adoption of the amendments, the Group will have to present the respective receivables and payables on a gross basis as the right to set-off is not enforceable in the event of bankruptcy of the counterparty.

The amendments will be applied retrospectively and prior periods in the Group's 2014 financial statements will be restated.

The initial application of these new standards, amendments to standards and interpretations, are not expected to have a significant effect on the financial statements of the Group and Company.

Statistics of Shareholders

As at 7 February 2014

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	254	9.23	64,321	0.01
1,000 - 10,000	800	29.08	4,351,351	0.96
10,001 - 1,000,000	1,655	60.16	130,646,721	28.77
1,000,001 and above	42	1.53	319,043,957	70.26
Total	2,751	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	10,528,000	2.32
9	Choo Chee Kiong	10,000,000	2.20
10	Yap Chew Ring	9,415,000	2.07
11	Wong Bei Keen	7,310,000	1.61
12	Yap Hey Cha	7,000,000	1.54
13	Ang Kim Sua	6,894,000	1.52
14	Yap Kim Chuan	6,021,994	1.33
15	Phillip Securities Pte Ltd	5,481,149	1.21
16	Tan Boon Kim	5,322,325	1.17
17	Lim Yew Hoe	5,175,000	1.14
18	Lim Boo Hua	4,298,400	0.95
19	DBS Nominees Pte Ltd	3,915,942	0.86
20	Lim Peng Chuan	3,760,000	0.83
	Total	**279,326,362**	**61.51**

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, 43.49% of the issued share capital of the Company was held in the hands of the public as at 7 February 2014. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Tuesday, 18 March 2014 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 2013 and the Auditors' Report thereon. [**Resolution 1]**

2 To declare a final dividend of 0.1 cents Singapore Dollar per ordinary share one-tier tax exempt for the financial year ended 31 December 2013. [**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 Mr Tan Tow Ee, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 5]**
[See Explanatory Note (a)]

6 To approve the sum of $80,000 as Directors' fees for the financial year ended 31 December 2013. (2012: $80,000) **[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
3 March 2014

Explanatory Notes:

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

(d) 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 2013 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 3 April 2014 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 2 April 2014 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 2 April 2014 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Fifteenth Annual General Meeting to be held on 18 March 2014, will be paid on 15 April 2014.

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
3 March 2014

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 18 March 2014. 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 **18 March 2014,** 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.

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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 Tuesday, 18 March 2014 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 2013		
2	Payment of proposed final dividend		
3	Re-election of Mr Alvin Yap Ah Seng as director		
4	Re-election of Mr Andy Yap Ah Siong director		
5	Re-election of Mr Tan Tow Ee as director		
6	Approval of directors' fees		
7	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
8	Authority to 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 _______________ 2014

Total Number of Shares Held

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

IMPORTANT
PLEASE READ NOTES OVERLEAF

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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.

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Affix
Postage
Stamp

The Company Secretary
QIAN HU CORPORATION LIMITED
No. 71 Jalan Lekar
Singapore 698950

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