Brimming with gratitude
On 8 November 2010, Qian Hu Corporation Limited celebrated ten years as a company listed on the Singapore Exchange. Being ten in 2010 was doubly auspicious, and behind the euphoria uncovered a decade of resolute commitment towards excellence. Excellence in business practices, corporate governance, corporate transparency and investor communications are hallmarks of Qian Hu over the past decade.

The next ten years will see Qian Hu striving to be the top ornamental fish exporter in the world, as it expands its geographical footprint in accelerating its export of ornamental fish and accessories around the globe, expanding its distribution network in China and India and strengthening its Dragon Fish R&D to produce better breeds of high-margin Dragon Fish.

We recount the past ten years in the next few pages.

### 10分感激

**Brimming with gratitude**

### Our Vision

- To become the world’s Number 1 ornamental fish exporter
- To escalate the export of aquarium and pet accessories and build on our “Ocean Free” brand as one of the most recognised brand of aquarium accessories in the world
- To be the most innovative and profitable Dragon Fish breeder
- To be one of the top 3 manufacturers of aquarium accessories in China
- To expand distribution capabilities from owning the business to owning the customers

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**Contents**

<table>
<thead>
<tr>
<th>Theme Rationale</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Vision</td>
<td>3</td>
</tr>
<tr>
<td>Celebrating A Decade Of Distinction</td>
<td>4</td>
</tr>
<tr>
<td>Chairman’s Statement</td>
<td>8</td>
</tr>
<tr>
<td>10 Years of Achievements</td>
<td>10</td>
</tr>
<tr>
<td>10 Lessons Learnt From Our Mistakes</td>
<td>12</td>
</tr>
<tr>
<td>10 Years of Shareholders Communications</td>
<td>14</td>
</tr>
<tr>
<td>10 Years of Excellence</td>
<td>16</td>
</tr>
<tr>
<td>At A Glance</td>
<td>18</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>20</td>
</tr>
<tr>
<td>Senior Management</td>
<td>22</td>
</tr>
<tr>
<td>Corporate Information</td>
<td>23</td>
</tr>
<tr>
<td>Group Structure</td>
<td>24</td>
</tr>
<tr>
<td>Our Prospects in 2011</td>
<td>26</td>
</tr>
<tr>
<td>Group Financial Highlights</td>
<td>30</td>
</tr>
<tr>
<td>Value-added Statement</td>
<td>31</td>
</tr>
<tr>
<td>Operating and Financial Review</td>
<td>32</td>
</tr>
<tr>
<td>Business Review</td>
<td>32</td>
</tr>
<tr>
<td>Financial Review</td>
<td>32</td>
</tr>
<tr>
<td>Shareholder Returns</td>
<td>32</td>
</tr>
<tr>
<td>Risk Factors and Risk Management</td>
<td>32</td>
</tr>
<tr>
<td>Investor Relations</td>
<td>32</td>
</tr>
<tr>
<td>People Development</td>
<td>32</td>
</tr>
<tr>
<td>Corporate Social Responsibility</td>
<td>32</td>
</tr>
<tr>
<td>Financial Calendar</td>
<td>32</td>
</tr>
<tr>
<td>Corporate Governance Report</td>
<td>32</td>
</tr>
<tr>
<td>Index to Financial Statements</td>
<td>32</td>
</tr>
<tr>
<td>Statistics of Shareholders</td>
<td>32</td>
</tr>
<tr>
<td>Notice of Annual General Meeting</td>
<td>32</td>
</tr>
</tbody>
</table>
Celebrating
A Decade of Distinction
10 Fun Years of Being A Public Listed Company

On 8 November 2000, Qian Hu embarked on a journey as a public-listed company, the first and only of its kind in Singapore, and probably the first in Asia. For a small company by market capitalisation, Qian Hu is big on exporting its ornamental fish and accessories around the world, cutting-edge R&D on Dragon Fish breeding, as well as the best practices in corporate governance.

When we came to the equity capital markets, investors were wary about the risk of having biological assets, and what this small fry on the Singapore Exchange could do. We didn’t worry about the naysayers, but focused all of our energy on building a resilient and sustainable business model on being exportable, expandable and scalable.

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

With Indonesia potentially being the next big consumer market after China and India, on 12 January 2011 we signed an investment agreement with Joe Aquatic Indonesia, PT, an established distributor and exporter of ornamental fish and aquatic plants in Indonesia. PT Qian Hu and Joe Aquatic Indonesia, which is 55% owned by Qian Hu, is our latest subsidiary to join the Qian Hu family, and will focus on breeding, rearing, trading, exporting and importing of all kinds of ornamental fish and other related activities such as manufacturing and trading of aquarium accessories. Indonesia has rich supplies of fish varieties, and is home to the CITES protected Dragon Fish as well. Our subsidiary in Indonesia will enable Qian Hu to tap the diversity of ornamental fish resources and provide an ambient platform to us to extend our Dragon Fish research beyond Singapore and Malaysia. We have big plans for Indonesia.

Executive Chairman & Managing Director

Kenny The Fish

My dear bosses,

In 2010, Qian Hu celebrated ten fun years of being listed on the Singapore Exchange. As I reflect on the challenges that we faced, I would still say that the decision to list Qian Hu on the Singapore Exchange was one of the best decisions we have ever made.

The preparations for the IPO took about a year - we had to restructure and refocus our core businesses, hire a financial controller, and put together a professional board. Despite a somewhat volatile market then, we managed to list on 8 November 2000, and have never looked back since. As a public company, we embraced our new responsibilities of being accountable to a new group of shareholders and the investing public, and remained steadfast in our quest to excel.

Over the last 10 years, the Group’s revenue grew at a compounded annual growth rate of 9.2%. We had grown from an ornamental fish distribution business into an integrated service provider.

Apart from being a world leader in ornamental fish export and distribution, the Group now has two accessories manufacturing plants in China and India, extensive Dragon Fish breeding facilities in Malaysia and Singapore, and major operations hubs in Singapore, Malaysia, Thailand, China and more recently, India.

The Next Lap - To be the world’s number 1 ornamental fish exporter

Qian Hu will always focus on our core competencies as an integrated ornamental fish service provider. Though currently a small company in a niche industry, we are one of the leaders in the global ornamental fish industry. Our long-term goal is to double our global market share to 10% and increase our export markets to 100 countries, as we position ourselves to become the world’s top ornamental fish exporter.

We hope to achieve this by exporting more Dragon Fish to China, India and Vietnam. In 2009, we have established a joint venture in Chennai, India which we hope will enable us to establish an extensive distribution network within and beyond the Subcontinent.

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Chairman’s Statement

Articulating A Future Of Excellence

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

Moving ahead, we will continue to build a knowledgeable workforce, differentiate through product, service and business innovation, with the aim of ultimately building an organisation that will last for generations.

Kenny The Fish

Executive Chairman & Managing Director

Qian Hu Corporation Limited

Annual Report 2010

Chairman’s Message

CHAIRMAN’S MESSAGE

Qian Hu Corporation Limited

Annual Report 2010

CITES - Convention on International Trade in Endangered Species
Chairman’s Statement

and we believe that together with our partners, we will be able to mold our competitive strengths together and offer unique products and services to customers around the world.

We are also casting our eyes for investment opportunities in Vietnam and plan to set up a subsidiary there within the next three years. We believe these efforts will generate higher sales of our Ornamental Fish moving forward.

Aquarium and Fish Accessories to account for 50% of total sales
Higher growth is also expected of our Accessories business as we always believe that for every one dollar a consumer spends on fish, he would spend five dollars on aquarium accessories. We expect Accessories to be equal in proportion of total sales with Ornamental Fish. We intend to grow our export of Accessories to as many countries as Ornamental Fish in the next few years.

Stepping up R&D
Though focused on our core expertise, we have to be flexible enough to change with market demands. To be the top global distributor of quality ornamental fish, Qian Hu will have to step up on its R&D efforts to produce more innovative and profitable Dragon Fish to reach new markets whilst expanding existing ones. We will also have to use our R&D capabilities to improve our ornamental fish packaging technology and quarantine skills to further differentiate ourselves from the other industry players. We will also explore the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species, to enable us to mitigate and manage risks related to adverse weather conditions, and to ensure constant supply of these fish species.

Weakening network in China, India, Indonesia, Vietnam
Moving ahead, we intend to have the widest distribution network in two of the world’s largest economies, right here in Asia – China and India. With more than 230 distribution points in China currently, our aim is to increase this network in the next few years, to perhaps more than 400 locations in various cities.

Our joint venture in Chennai, India which currently focuses on the manufacturing of aquarium accessories and fish foods, will eventually include the distribution of ornamental fish in various cities throughout India, essentially replicating what we have been doing in China. Apart from these two economic giants, we are also looking expansion opportunities through our newly-formed subsidiary in Indonesia, as well as Vietnam within the next three years. Qian Hu is, and will always be, an integrated ornamental fish service provider to global markets. Our sustainable strategy is to always focus on our core competencies. Though a small company in a niche industry, we are one of the leaders in the global ornamental fish market. By staying focused and relentlessly pursuing business excellence, Qian Hu will one day become a bigger company with even better long-term prospects.

Our long-term growth depends on our ability to change and adapt to the business environment. In 2004, we endured the painful process of restructuring and through it all, demonstrated our tenacity and resilience. Moving ahead, we will continue to build a knowledgeable workforce, differentiate through product, service and business innovation, with the aim of ultimately building an organisation that will last for generations.

To be a debt-free and high dividend payout company
In the years ahead, we will be focusing on growing the Company instead of expanding. There is a distinction between “growing” and “expanding.” “Expansion” requires investments and capital expenditure to grow the business, whereas “growth” may not necessarily require additional investments, but rather, it creates more value to shareholders with existing resources.

We do not expect to incur substantial amounts of capital expenditure or investments in the foreseeable future. Any subsequent investments should not be significant, and will be adequately funded using cash generated from the Group’s operating activities.

As such, we will be in a better position to declare dividends more liberally. Our aim is to move towards becoming a debt-free company with high dividend payout.

Appreciation
We have much to be thankful for, and my heart is overwhelmed by the support of all our shareholders, business partners and our staff for helping Qian Hu and Singapore maintain its premier status as the Ornamental Fish Capital of the World.

Here’s wishing you all a very healthy and wealthy 2011!

Kenny the Fish
Executive Chairman & Managing Director

Qian Hu Corporation Limited
Annual Report 2010

Annual Report 2010
5

STRONG PAN-ASIAN FOOTPRINT

Qian Hu, with its humble beginnings as a breeder of supplies in Singapore, has become an integrated ornamental fish service provider today. Currently it is the only ornamental fish company in the world that is able to supply ornamental fish from four countries - Singapore, Malaysia, Thailand and China.

6

FORAY INTO UNITED KINGDOM

Qian Hu fast tracked its penetration into the European aquarium and pet accessories market via a 20% stake in Arcadia Products PLC (“Arcadia”). With a long corporate history that dates back to 1964, Arcadia has a strong reputation for its manufacture of high quality aquarium lighting products which are sold in a total of 90 specialist and general pet wholesalers in the United Kingdom, and distributed to 55 countries worldwide.

7

ESTABLISHED MANUFACTURING BASE FOR ACCESSORIES IN CHINA

The Group’s Guangzhou factory has the capacity to manufacture a wide variety of our own proprietary brand of aquarium accessories. In addition, the Guangzhou establishment also serves as a contract manufacturer for third party brands such as Red Sea and Arcadia.

8

JOINT VENTURE IN INDIA IN 2009

In a bid to establish a stronger footing in the fast growing major economy, Qian Hu established its second manufacturing facility for aquarium accessories in Chennai via a 50:50 joint venture with Aqualeaf. Founded in 1984, the latter is one of the largest suppliers of aquarium accessories in India. The joint venture company, Qian Hu Aqualeaf (India) Private Limited, primarily focus on manufacturing, distribution and export of aquarium accessories under Qian Hu’s own proprietary brands and other third party brands. Whilst in the near future, the Group plans to engage in the import and export, as well as domestic distribution of ornamental fish.

9

FROM 45 COUNTRIES TO 80 COUNTRIES

The Group remains diligent in expanding its sales network for its ornamental fish exports, which has grown from 45 exporting countries since 2000 to more than 80 countries in 2010.

10

STELLAR PERFORMANCE IN CORPORATE TRANSPARENCY AND GOVERNANCE

Committed to the best practices in corporate transparency and governance, Qian Hu has been recognised for its efforts with the winning of awards such as the Most Transparent Company Award from the Securities Investors Association (Singapore) since 2001. We have also regularly topped the Business Times’ Corporate Transparency Index (CTI).

In 2009, Qian Hu was the first company in the history of the Singapore Corporate Awards to bag four awards in the same year, namely, Best Managed Board (Merit); Chief Financial Officer of the Year; Best Investor Relations (Bronze) and Best Annual Report (Gold), amongst companies with less than $300 million in market capitalisation. It is also the first SME to win the Best Managed Board Award (Gold) at the Singapore Corporate Awards in 2010.
DON’T BE GREEDY
In 1991, word got around that a certain variety of fish from Sichuan, China, called the High Fin Loach, could fetch handsome margins. Attracted by the possibility of high profits, Qian Hu quickly invested in 4,000 of these fishes without doing much research. If we had done due diligence, we would have discovered that High Fin Loaches go through a sensitive period in their growth where the slightest vibration in their environment would cause them to go into spontaneous cardiac arrest. Our entire stock had perished as a result of the vibrations arising from the construction of new tanks to accommodate them.

Lessons learnt
a. Never put all the eggs in one basket.

NEVER RUSH INTO A JOINT VENTURE WITH PEOPLE YOU DON’T KNOW VERY WELL
In 2002, we set up a factory with a Taiwanese partner in China. This partner did not share any of our values or corporate culture, but claimed that he could run a factory. Qian Hu did not have the resources nor expertise to verify his claim, so we chose to believe him and entered into the joint venture in blind faith. Eventually we had to kick him out and send a team of Singaporean managers to salvage the operation. In 2004, we made the same mistake again by entering into a joint venture in another Southeast Asia country. The business was highly profitable but our joint venture partner operated under a different business philosophy that was in direct conflict with Qian Hu’s principles and discipline. We terminated the joint venture within a year to avoid long-term pain.

Lessons learnt
a. Never rush into collaboration, no matter how profitable it appears to be.

DON’T BE PRESSURED INTO EXPANDING TOO QUICKLY
After Qian Hu’s listing in 2000, we felt pressured to expand quickly as we were then a small, young company without sufficient expertise and human resources. We went too far ahead of ourselves and tried to grow the business faster than we could cope with and this brought disastrous results. In 2004, we were forced to make the painful decision to scale back, restructure, and focus on managing our cash and growing at a more manageable pace. With this strategy, we were able to turn the business around within two years.

Lessons learnt
a. Don’t be pressured by the public, analysts, or fund managers to expand unnecessarily. Only the Board and the management should determine the pace of expansion subject to the company’s limitations.

TRUST IS GOOD, CONTROL IS EVEN BETTER
Qian Hu has always been honest in our dealings with customers and suppliers. However, people can change, especially when their financial situations turn desperate. Over the years, we have experienced bad debt situations even from some of our long-term customers and “trusted” suppliers who have taken money in advance, but failed to deliver.

Lessons learnt
a. We must always give face to our customers, but our credit control must be faceless. A robust and tight credit control and risk management is extremely essential.
b. Building a robust system is a journey. We must continuously strengthen our system no matter how big the company grows.

NOBODY IS INDISPENSIBLE
Some of our senior management trusted and relied on top performing staff. They were treated very well and motivated, in the hope that they would continue to be loyal and stay with the Company for a long time. However, the reality is that some do leave for better prospects or for a change of environment, or even to start their own businesses. These are valid reasons and we should wish them well. However, there are occasionally, some who betray the very people that trusted and motivated them.

Lessons learnt
a. Treat your employees fairly and professionally, but not emotionally.
b. Don’t rely on only one person; always have back-up plans as life and business have to go on.
c. Create a working environment free of politics so that most of your employees feel that the opportunity cost of leaving is high.

IN A REGIONAL COMPANY, BE AWARE OF CULTURAL DIFFERENCES
During the preparation work for the annual staff opinion survey, a question was modified but was still interpreted differently by an overseas subsidiary. This could have led to some inaccuracy in reflecting the opinion of the factor concerned. The survey’s mean scores were compromised.

Lessons learnt
a. Cultural differences should be taken into account when crafting a survey questionnaire. Always involve the overseas subsidiary’s administrators in the process.
b. More time should be allocated for review instead of rushing into the process.

LESSONS LEARNT FROM OUR MISTAKES
1 DON’T BE GREEDY
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8 ACTION SPEAKS LOUDER THAN WORDS
9 SHORT TERM PROFIT AT THE EXPENSE OF LONG TERM GROWTH
10 BUILDING A QIAN HU FAMILY

You must still monitor those you delegate to
As the business expands and work processes get more complex, it is inevitable that top management will delegate some responsibilities. Inevitably, there is an inevitable delegation of power and authority. When this happens, achieving respectable and growing profits, maintaining profitability, enhancing productivity and efficiency.

Lessons learnt
a. Don’t delegate things without knowing how to monitor them.
b. Build a system of monitoring that you can feel confident in knowing what is happening but not at the expense of encroaching the manager’s creative space.
c. Always have a contingency or backup plan so that we are prepared to control any adverse situation.

ACTION SPEAKS LOUDER THAN WORDS
We have observed from our failed joint ventures, that our joint venture partners were extremely smooth talkers and promised the sky. In both of the joint ventures that failed, the sky of opportunities turned into storms.

Lessons learnt
a. Beware of those people who talk a lot but do little.
b. Look for partners with good character and integrity rather than good talkers.
c. When in doubt of what they said, verify, and if it cannot be done, back off from the deal.

SHORT TERM PROFIT AT THE EXPENSE OF LONG TERM GROWTH
Too often, some of our subsidiaries or division heads are overly concerned with delivering profits and not focusing enough on integrating their operations with the Group. In pursuing profits, they have overlooked to protect our brand names and have neglected to strengthen the fundamentals such as clearing bad debts and obsolete inventory.

Lessons learnt
a. As a company, we must think about the industry first, then our company. As a subsidiary or division, we must focus on the Group first, then our individual entity.
b. Sustaining a business is not about delivering short term profit. It is about generating healthy cash flow, achieving respectable and growing profit margins, and enhancing productivity and efficiency.

YOU MUST STILL MONITOR THOSE YOU DELEGATE TO
As the business expands and work processes get more complex, it is inevitable that top management will delegate some responsibilities to subordinates. However, top management should continue to monitor progress and ensure communication channels are open. Many times, one assumes that after a task is delegated, it will get done properly. That is a serious mistake.

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2000
The World Through The Eyes Of A Fish
For a fish, there is a huge ocean out there that it can swim to. However, there are no shortcuts – Qian Hu has to continually embrace the virtues of hard work, creativity and excellence.

2001
Against The Current
Swimming against the current of recession compounded by the impact of 11 September 2001 that reverberated across the globe, Qian Hu wanted to assure its shareholders that the Group’s businesses were relatively unscathed as the tropical fish business was literally in a world of its own, and was resilient to business cycles.

2002
Stronger, Better, Faster
Promoted to the Mainboard of the Singapore Exchange after two years of listing, Qian Hu has been reporting consistent quarter to quarter growth since listing, thanks to the growth of its core businesses, and was on track to becoming an even stronger player in the global ornamental fish industry.

2003
Ahead Of The Pack
We highlighted our use of technology even in the bagging of our fish which are base-coded before being exported around the world. Business innovation is our dominant trait, ensuring that we stay ahead of the industry, despite 2003 being in the eye of the “perfect storm” of the global war on terrorism and another wave of the microbacterial kind - Severe Acute Respiratory Syndrome (SARS).

2004
World Hobbies
Against the backdrop of the rising trend of pet keeping in many parts of the world, Qian Hu ventured into the retail chain store business as we felt that it was necessary to integrate our core businesses of ornamental fish export and accessories manufacturing and export with the front-end business of retail.

2005
Our Value Ecosystem
In 2004, Qian Hu became even more integrated with the set up of retail stores in Malaysia, Thailand and China to complement its upstream breeding, export, distribution and accessories manufacturing activities.

2006
Building Opportunities
Qian Hu’s venture into the retail chain store business in 2004 resulted in a painful yet absolutely essential pruning of its business model, in a bid to secure long-term growth in spite of short-term pain. Its efforts had begun to pay off in 2006 as the Group’s performance turned around.

2007
Fish Without Borders
The distribution of ornamental fish and accessories is truly a global business, and Qian Hu’s strategy is to build an extensive distribution network, strengthen our expertise in global sourcing, and enhancing our focus on brand building.

2008
Same Fish, New Ocean
With the pain of the restructuring of 2004 truly behind us, we are poised to pursue our vision of being the most admired ornamental fish company in the world. We are also mindful about the values that have become part of the Qian Hu culture - our spirit of innovation, excellence and transparency. In essence, we are the same Qian Hu in all these respects, but we’re bigger and more determined to take on the blue ocean yonder.

2009
Still Swimming Ahead
The turbulent global economic upheaval wreaked much havoc, around the world in 2009, but Qian Hu was fortunate to have performed much better than anticipated, underscoring the resilience of the global pet industry and the Group’s business model.
YEARS OF EXCELLENCE

Awards & Accolades

2001
SAS 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
SAS 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

2003
Best Managed Board Award - Special Mention
SAS 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
SAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps (up to $100 million) category

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

2007
Business Times’ Corporate Transparency Index (CTI) - 1st Position
SAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

2008
Business Times’ Corporate Transparency Index (CTI) - 1st Position
SAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

2009
Singapore Corporate Awards - Chief Financial Officer of the Year - Mui Lai Ching 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)

2010
Singapore Corporate Awards - Best Managed Board Award (Gold - Companies with less than $300 million in market capitalisation)
SAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

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

Singapore Quality Award - Awarded by Spring Singapore

Qian Hu Corporation Limited
Annual Report 2010
Incorporated in 1998 and listed on the Singapore Exchange since 2000, Qian Hu Corporation Limited is an integrated ornamental fish service provider ranging from breeding of Dragon Fish, as well as farming, importing, exporting and distributing of well over 1,000 species and varieties of ornamental fish from all over the world. It also manufactures and distributes a wide range of aquarium and pet accessories.

**OUR BUSINESS MODEL**

**Fish**
- Breeding of Dragon Fish
- Export to more than 80 countries
- Domestic distribution

**Accessories**
- Export to approximately 40 countries
- Domestic distribution

**Manufacturing**
- Aquarium accessories
- Plastic bags

**Retail**
- “Qian Hu - The Pet Family”, retail chain stores

**OUR PROPRIETARY BRANDS**

- BARK for dogs
- Aristo-Cats
- YI HU for rabbits and hamsters
- Ocean Free for fish capturing more than 5% of the world market share
- Delikate aquarium products

**OUR GLOBAL FOOTPRINT**

- Region’s biggest exporter of ornamental fish, selling more than 20 countries
- New breeding facilities has been added at our Singapore and Malaysia farms, securing a more reliable supply of Dragon Fish
- Sales dipped 3.9% as the production of Dragon Fish was affected by the unusual dry weather in Singapore and Malaysia between January and April, in which the dry spell was caused by the abnormal weather phenomenon El Niño
- Export deliveries were affected by widespread airport closures and flight cancellations this year, due to the unusual heavy snowfall in North America and Europe in December, and the Icelandic volcanic eruption which affected European airspace between mid April to early May
- Sluggish European economy has also contributed to the weaker demand from its European markets
- Currently exporting to approximately 40 countries. We intend to grow accessories export to as many countries as our ornamental fish export
- Sales declined by 7.0% due to the sluggish European economy which affected production orders from its OEM customers, as well as demonstrations and curfews in Bangkok which affected wholesale accessories activities and its retail business in the downtown area
- Utilising surplus capacity at its Guangzhou plant for the production of its revolutionary Hydro-Pure filtration system which is able to improve water quality by 50%. This new product is expected to boost the performance of the accessories segment in FY 2011
- This segment continued its steady growth and recorded a 5.5% increase in sales
- Continue to generate cash for the Group
- Focus on generating revenue through selling more varieties of plastics products to a larger customer base

**Core Business**

- Aquarium and Pet Accessories
- Plastics

**About Qian Hu**

Qian Hu engages in the breeding of Dragon Fish, farming, importing, exporting and distributing of ornamental fish. Through its distribution hubs in Singapore, Malaysia, Thailand and China, Qian Hu exports over 1,000 species and varieties of ornamental fish to more than 80 countries, reinforcing Singapore’s premier reputation as the Ornamental Fish Capital of the World.

Qian Hu sells pet accessories such as pet food, vitamins, shampoos, nail clippers, leashes and cages, and aquarium accessories such as fish food, tanks, pumps, filters, lightings, coral sand, pebbles and aquatic fertilizers. More than 3,000 types of aquarium and pets accessories of our own proprietary brands and from more than 30 major manufacturers and principals are distributed to local retailers and wholesalers in Asia and Singapore.

**Developments in 2010**

- Region’s biggest exporter of ornamental fish, selling more than 40 countries
- New breeding facilities has been added at our Singapore and Malaysia farms, thus securing a more reliable supply of Dragon Fish
- Sales dipped 3.9% as the production of Dragon Fish was affected by the unusual dry weather in Singapore and Malaysia between January and April, in which the dry spell was caused by the abnormal weather phenomenon El Niño
- Export deliveries were affected by widespread airport closures and flight cancellations this year, due to the unusual heavy snowfall in North America and Europe in December, and the Icelandic volcanic eruption which affected European airspace between mid April to early May
- Sluggish European economy has also contributed to the weaker demand from its European markets
- Currently exporting to approximately 40 countries. We intend to grow accessories export to as many countries as our ornamental fish export
- With 231 distribution points in China (target: 280 locations by end of Year 2013)
- Sales declined by 7.0% due to the sluggish European economy which affected production orders from its OEM customers, as well as demonstrations and curfews in Bangkok which affected wholesale accessories activities and its retail business in the downtown area
- Utilising surplus capacity at its Guangzhou plant for the production of its revolutionary Hydro-Pure filtration system which is able to improve water quality by 50%. This new product is expected to boost the performance of the accessories segment in FY 2011
- This segment continued its steady growth and recorded a 5.5% increase in sales
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- Focus on generating revenue through selling more varieties of plastics products to a larger customer base

**Revenue (S’million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Fish</th>
<th>Accessories</th>
<th>Manufacturing</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>61.2</td>
<td>62.7</td>
<td>65.5</td>
<td>41.2</td>
</tr>
<tr>
<td>2002</td>
<td>62.7</td>
<td>67.7</td>
<td>65.3</td>
<td>41.2</td>
</tr>
<tr>
<td>2003</td>
<td>65.5</td>
<td>66.3</td>
<td>61.1</td>
<td>41.2</td>
</tr>
<tr>
<td>2004</td>
<td>66.3</td>
<td>91.7</td>
<td>93.1</td>
<td>41.2</td>
</tr>
<tr>
<td>2005</td>
<td>76.1</td>
<td>91.3</td>
<td>94.6</td>
<td>41.2</td>
</tr>
<tr>
<td>2006</td>
<td>91.2</td>
<td>91.3</td>
<td>92.0</td>
<td>41.2</td>
</tr>
</tbody>
</table>

**Net Profit (S’million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Fish</th>
<th>Accessories</th>
<th>Manufacturing</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>3.6</td>
<td>7.0</td>
<td>5.0</td>
<td>6.5</td>
</tr>
<tr>
<td>2002</td>
<td>1.6</td>
<td>2.0</td>
<td>2.6</td>
<td>6.5</td>
</tr>
<tr>
<td>2003</td>
<td>2.0</td>
<td>2.0</td>
<td>2.6</td>
<td>6.5</td>
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<tr>
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<td>6.5</td>
</tr>
<tr>
<td>2006</td>
<td>2.0</td>
<td>2.0</td>
<td>2.6</td>
<td>6.5</td>
</tr>
</tbody>
</table>

**Operating Environment**

- Stronger global economic conditions
- Record level of net profit
- Significant increase in shareholder’s funds
- Increase in net assets
- Increase in reserves

**Major Achievements**

- Region’s biggest exporter of ornamental fish, selling more than 40 countries
- New breeding facilities has been added at our Singapore and Malaysia farms, thus securing a more reliable supply of Dragon Fish
- Sales dipped 3.9% as the production of Dragon Fish was affected by the unusual dry weather in Singapore and Malaysia between January and April, in which the dry spell was caused by the abnormal weather phenomenon El Niño
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- Sluggish European economy has also contributed to the weaker demand from its European markets
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- With 231 distribution points in China (target: 280 locations by end of Year 2013)
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**Revenue (S’million)**

<table>
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<tr>
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</tr>
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</table>
In 2008, he was named as one of the Top 10 Outstanding Entrepreneurs by China Education Television, Beijing Municipal Administrations of Cultural Heritage, Fortune Times, Phoenix Satellite and several other organisations in China. Kenny graduated from Ohio State University (USA) with a First Class Honours degree in Business Administration. He currently serves as the Chairman of the Nominating Committee which assesses the Board’s performance,审视, and effectiveness as well as the independence of directors. Also the Chairman of the Branding Committee, Mr Tan plays a pivotal role in developing Qian Hu’s brand name into the region.

Mr Kenny Yap is the Executive Chairman and Managing Director of Qian Hu Corporation Limited, the only integrated ornamental fish service provider listed on the Mainboard of the Singapore Exchange. Through his leadership, vision and passion for the industry, Kenny plays a key role in establishing Singapore as the Ornamental Fish Capital of the World, with Qian Hu accounting for more than 5% of the global fish market. He has a string of awards to his name - Public Service Award (PBM) in 2004, Ernst & Young’s Service Entrepreneur of the Year Award in 2003, Young Chinese Entrepreneur of the Year by Xinhua Zhoutian in 2002, one of the 50 Stars of Asia by Business Week in 2003, the PSI(International Institute of Management’s International Management Action Award in 2000, and the Singapore National Youth Award in 1998.

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

Kenny graduated from Ohio State University (USA) with a First Class Honours degree in Business Administration. He currently serves as the Chairman for the Ornamental Fish Business Cluster initiated by AVA and a member of the Action Community for Entrepreneurship (ACE). In 2007, Kenny was appointed by National Youth Council as the Chairman of the Youth Award (Entrepreneurship) Committee. He also serves as a council member of the Corporate Governance Council with effect from 1 February 2010.

ALVIN YAP AH SENG
Deputy Managing Director
Mr Alvin Yap, a founding member of the Group, oversees the Group’s aquarium and pet accessories operations in his current capacity as Deputy Managing Director. Alvin holds a diploma in Mechanical Engineering from Singapore Polytechnic and was the Managing Partner for YI Hu Fish Farm Trading from 1988 to 1998. In 2000, Alvin, together with Kenny Yap and Andy Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

LAI CHIN YEE
Finance Director
Ms Lai Chin Yee was the Group Financial Controller before assuming her current position as the Finance Director of Qian Hu Corporation Limited in November 2004. She is responsible for the Group’s accounting, finance, treasury and tax functions. Prior to joining the Group in 1998, Ms Lai was an auditor with international accounting firms since 1987. She was appointed by the Ministry of Finance as a member of the Tax Advisory Committee from September 2004 to September 2006. She also served as a council member of the Council on Corporate Disclosure and Governance (CCDG) from December 2006 to August 2007. She is currently a member of the CFO Committee of the Institute and Certified Public Accountants of Singapore. Ms Lai graduated with a Bachelor degree in Accountancy from the National University of Singapore and is a Fellow of the Institute of Certified Public Accountants of Singapore. In 2009, Ms Lai was named the Chief Financial Officer of the Year (companies with less than $300 million in market capitalisation) at the Singapore Corporate Awards.

ROBINSON LEE TIECK LUNG
Independent Director
Mr Robinson Lee is a partner in Shook Lin & Bok’s corporate finance & international finance practice and has been with the firm since 1994. He is also a partner in the firms China practice, focusing on cross-border corporate transactions in the People’s Republic of China. With a LLB (Hons) from the National University of Singapore, Robinson was appointed in October 2000 as an Independent Director and the Chairman of the Audit Committee of Qian Hu Corporation Limited. He runs an active practice advising corporate issuers in a number of industries ranging from high tech, food and beverage, specialty chemicals and pharmaceuticals, and their underwriters in fund-raising and stock market flotations.

He is the Secretary of the Board of Directors by Singapore Chinese High School and a trustee of the land on which Hwa Chong Institution and Hwa Chong International School are presently sited. He has structured a number of corporate finance transactions and advises public listed companies on securities transactions, cross-border mergers and acquisitions and foreign joint ventures. Robinson also sits on a number of other listed companies as Independent Director.

TAN TOW EE
Independent Director
Mr Tan Tow Ee was appointed in May 2002 as an Independent Director of Qian Hu Corporation Limited. Mr Tan currently manages private funds and also provides consultancy services. He has more than 15 years of professional experience working with international corporations where he was managing their sizeable investments. He holds an Honours degree in Finance from Ohio State University (USA). He is the Chairman of the Nominating Committee which assesses the Board’s performance,审视, and effectiveness as well as the independence of directors. Also the Chairman of the Branding Committee, Mr Tan plays a pivotal role in developing Qian Hu’s brand name into the region.

CHANG WENG LEONG
Independent Director
Appointed in October 2000, Mr Chang Weng Leong serves as Qian Hu’s Independent Director. He is currently the Principal Consultant of Alchemy Business Consultants, and has many years of experience in various areas of management - such as quality management, environmental, human resource and business. Mr Chang is the Chairman of the Remuneration Committee which oversees the remuneration of key executives of the Group.

Mr Chang holds a Masters of Science degree in Mechanical Engineering from the National University of Singapore. He is a registered Principal Auditor with the Institute of Quality Assurance (IRCA UK).
From Left to right

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.

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

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

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.

Mr Lee holds a Bachelor’s degree in Business Administration from the International Management Centre Buckingham, UK and a diploma in Electrical Engineering from Singapore Polytechnic.

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

Mr Goh is the founder of Kim Kang, and has over 20 years of experience in breeding Dragon Fish. In 1992, he started his own farm in Batu Pahat which not only specialise in the breeding of Arowana but Arapaima Gigas and Red Gourami as well.
2010 was a disappointing year for Dragon Fish production due to the drought and unstable weather conditions experienced in the region. We believe that the demand for Dragon Fish will continue to grow in 2011 with new markets such as India, Vietnam and even China. Our headquarters in Singapore, together with our subsidiaries in Bangkok, Kuala Lumpur, Beijing, Shanghai, and Guangzhou distribute ornamental fish and aquarium accessories throughout the world. Currently, we export our products to approximately 40 countries around the world. We intend to grow our export footprint for aquarium and pet accessories to many countries as our ornamental fish export. At the same time, we will continue to focus on innovative product development, ensuring consistency in quality and brand building.

Our export footprint for aquarium and pet accessories will continue to expand. Currently, we export our accessories products to approximately 40 countries around the world. We intend to grow our accessories export to as many countries as our ornamental fish export. At the same time, we will continue to focus on innovative product development, ensuring consistency in quality and brand building.

2010 was a disappointing year for Dragon Fish production due to the drought and unstable weather conditions experienced in the first half of the year. However, we believe that the demand for Dragon Fish will continue to grow in 2011 with new markets such as India, Vietnam and even some European countries showing greater interest. Accordingly, with the resumption of normal Dragon Fish production, and as production stabilizes, we will be able to record healthy sales in 2011. Selective breeding - as a result of our sustained R&D efforts, will also enable us to secure premium positioning of the Dragon Fish market and will help to generate higher margins.

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

Our headquarters in Singapore, together with our subsidiaries in Bangkok, Kuala Lumpur, Beijing, Shanghai, and Guangzhou distribute ornamental fish and aquarium and pet accessories in their respective countries. The Singapore base should record organic growth, but we anticipate that the Thai, Malaysia, and China markets will continue to grow healthily with much untapped markets. In China, we intend to further increase our distribution points from the existing 233 points to approximately 280 points by end of 2011. Our newly set up joint venture in India will also enable us to expedite our penetration into the India market.
Qian Hu has been built on strong corporate values of commitment and teamwork. These will be the fundamental values that will take Qian Hu to higher levels of growth.

**Alvin Yap**
Deputy Managing Director
Qian Hu Corporation Limited

In the next 10 years, I would like to see Qian Hu transform into a more high-technology and automated company. Instead of having systems that make people work, I would rather have skilled people who make the systems work! Moving ahead, Qian Hu will continue to build on its core values of integrity and cohesive teamwork so that we together can build the world’s biggest ornamental fish and pets company.

**Andy Yap**
deputy Managing Director
Qian Hu Corporation Limited

Qian Hu has grown impressively in the last 10 years since its IPO. I take great pride in participating in its stirling corporate development, in witnessing its impressive string of industry-wide accolades and awards secured in the last decade, and having a role in putting in place the strong governance structure and risk management measures to secure investors’ interests.

**Robson Lee**
Chairman, Audit Committee
Qian Hu Corporation Limited

For the past 10 years, Qian Hu has been focusing on expanding the business in Asia. In Thailand, we are the top exporter of ornamental fish, and our subsidiaries in Beijing, Shanghai and Guangzhou have secured strong market share for both our own and third-party brands. Our Dragon Fish is well-known and Qian Hu is one of the major suppliers of Dragon Fish in China.

**Low Eng Hua**
Group General Manager
Qian Hu Corporation Limited

**Yap Kim Choon**
Division Head
Wan Hu Division
Qian Hu Corporation Limited
In my view, Qian Hu is the world’s leader in innovation for the aquarium and pets industry. No other company focuses so much on R&D, and in breaking through with cutting-edge breeding techniques. Service is also another strong forte of Qian Hu – our ability to service our customers from five countries, including our latest Indonesian subsidiary!

Yap Kok Cheng
Management Trainee
Beijing Qian Hu Aquarium And Pets Co., Ltd
Group Financial Highlights
(5-YEAR STATISTICS)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For the year ($'000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>91,163</td>
<td>94,611</td>
<td>93,062</td>
<td>91,720</td>
<td>76,111</td>
</tr>
<tr>
<td>Earnings before interest, taxation, depreciation and amortisation (EBITDA)</td>
<td>8,653</td>
<td>12,776</td>
<td>12,520</td>
<td>10,977</td>
<td>8,307</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5,299</td>
<td>9,440</td>
<td>9,191</td>
<td>7,919</td>
<td>5,311</td>
</tr>
<tr>
<td>Net profit attributable to equity holders</td>
<td>4,209</td>
<td>6,544</td>
<td>6,043</td>
<td>4,948</td>
<td>2,617</td>
</tr>
<tr>
<td>Operating Cashflow</td>
<td>4,507</td>
<td>12,238</td>
<td>9,819</td>
<td>8,650</td>
<td>9,362</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>1,512</td>
<td>8,214</td>
<td>11,115</td>
<td>9,318</td>
<td>6,762</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At year end ($'000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>107,409</td>
<td>103,767</td>
<td>100,512</td>
<td>88,823</td>
<td>75,589</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>34,379</td>
<td>34,547</td>
<td>37,778</td>
<td>33,190</td>
<td>26,837</td>
</tr>
<tr>
<td>Shareholders' Funds</td>
<td>73,030</td>
<td>59,226</td>
<td>53,951</td>
<td>47,928</td>
<td>48,752</td>
</tr>
<tr>
<td>Cash and Cash Equivalent</td>
<td>11,691</td>
<td>9,847</td>
<td>6,704</td>
<td>5,450</td>
<td>5,467</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Key ratios</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue growth (%)</td>
<td>(3.6%)</td>
<td>1.7%</td>
<td>1.5%</td>
<td>20.5%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Net profit growth (%)</td>
<td>(35.7%)</td>
<td>8.3%</td>
<td>22.1%</td>
<td>89.1%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Net profit margin (%)</td>
<td>4.6%</td>
<td>6.9%</td>
<td>6.5%</td>
<td>5.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Debt-to-equity ratio (times)</td>
<td>0.47</td>
<td>0.50</td>
<td>0.60</td>
<td>0.60</td>
<td>0.54</td>
</tr>
<tr>
<td>Return on Shareholders' Funds (%)</td>
<td>6.2%</td>
<td>11.0%</td>
<td>11.3%</td>
<td>10.3%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Return on Total Assets (%)</td>
<td>4.2%</td>
<td>6.3%</td>
<td>6.0%</td>
<td>5.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Per share information (cents)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>0.93</td>
<td>1.48</td>
<td>1.36</td>
<td>1.23*</td>
<td>0.64*</td>
</tr>
<tr>
<td>Net Assets per share</td>
<td>16.08</td>
<td>16.4</td>
<td>15.1</td>
<td>13.5**</td>
<td>37.9</td>
</tr>
<tr>
<td>Gross dividend per share - ordinary</td>
<td>0.50</td>
<td>0.50</td>
<td>0.20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gross dividend per share - special</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8.54</td>
<td>-</td>
</tr>
<tr>
<td>Market capitalisation ($'million) at close of business on the first trading day after the announcement of audited results</td>
<td>59.03</td>
<td>74.02</td>
<td>39.45</td>
<td>68.18</td>
<td>42.53</td>
</tr>
</tbody>
</table>

Value-added Statement

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue earned</td>
<td>91,163</td>
<td>94,611</td>
</tr>
<tr>
<td>Less: Purchase of goods</td>
<td>(69,992)</td>
<td>(69,817)</td>
</tr>
<tr>
<td>Gross value-added from operations</td>
<td>21,171</td>
<td>24,794</td>
</tr>
<tr>
<td>Other operating income</td>
<td>114</td>
<td>132</td>
</tr>
<tr>
<td>Exchange gain</td>
<td>496</td>
<td>422</td>
</tr>
<tr>
<td>Total value-added</td>
<td>21,781</td>
<td>25,348</td>
</tr>
</tbody>
</table>

Distributions

To employees in salaries and other related costs | 12,471 | 11,908|
To government in corporate and other taxes | 1,050 | 2,045|
To providers of capital:  
- Interest paid on borrowings from banks | 501 | 688|
- Retained for re-investment and future growth | - | -|
- Depreciation and amortisation | 2,791 | 2,634|
- Accumulated profits | 4,209 | 6,544|
- Non-Controlling interests | 308 | 1,101|
Non-production cost and income:  
- Bad trade receivables and allowance for doubtful trade receivables | 621 | 299|
- Write back of Allowance for inventory obsolescence | (170) | 129|
Total distribution | 21,781 | 25,348|

PRODUCTIVITY DATA

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>719</td>
<td>638</td>
</tr>
<tr>
<td>Value-added per employee ($'000)</td>
<td>7.14</td>
<td>6.42</td>
</tr>
<tr>
<td>Value-added per $ of employment cost</td>
<td>1.75</td>
<td>2.12</td>
</tr>
<tr>
<td>Value-added per $ sales</td>
<td>0.24</td>
<td>0.27</td>
</tr>
<tr>
<td>Value-added per $ of investment in property, plant and equipment</td>
<td>0.35</td>
<td>0.40</td>
</tr>
</tbody>
</table>

*after adjustment for rights and warrants issue in 2007
**based on enlarged share capital after rights and warrants issue in 2007
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 manufacturing of aquarium and pet accessories and distributing them to local and overseas customers.

Currently, Qian Hu has presence in six countries, namely, Singapore, Malaysia, Thailand, China, United Kingdom and India, which consists of nine 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 2010, the Group recorded revenue of $91.2 million, of which approximately 88% was contributed by the core businesses Ornamental fish and Accessories, while Plastics contributed the remaining 12%. The Ornamental fish business accounted for the bulk of the Group’s operating profit at 49%, compared to 37% from Accessories and 14% by Plastics.

ORNAMENTAL FISH

The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, processing, 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 distribute to local retailers and exporters. The “Qian Hu” Dragon Fish is increasingly regarded as a premium brand in China.

ACCESSORIES

The distribution of accessories complements the ornamental fish operations by providing a “one-stop” shop to meet customers’ aquarium needs. The Group distributes more than 3,000 types of aquarium and pet accessories for more than 30 major manufacturers and principals to retailers in mainly Asia and Singapore, including supermarkets operated by NTUC FairPrice, Cold Storage and Carrefour. The export of aquarium and pet accessories has seen a healthy momentum of growth. Currently, the Group exports its accessories products to approximately 40 countries around the world.

In addition, the Group has developed its proprietary brands of aquarium and pet accessories under the name “Ocean Free”, “Dillkafe”, “BARK” and “Aristo-cats Yi Hu”. The Group has set up production facilities in Guangzhou (China) and Chennai (India) to manufacture fish food and aquarium accessories for the Group as well as for third parties.

PLASTICS

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

FINANCIAL REVIEW

INCOME STATEMENT 2010 $’000 2009 $’000 Change %

Revenue
- Ornamental Fish 45,175 46,993 (3.9)
- Accessories 34,433 37,029 (7.0)
- Plastics 11,555 10,589 9.1

Total revenue 91,163 94,611 (3.6)
Less : Cost of sales (61,916) (61,901) 0.0

Gross profit 29,247 32,710 (10.6)
Add : Other operating income 114 132 (13.6)
Less : Operating expenses (23,995) (23,382) 2.6

Operating profit 5,366 9,460 (43.3)
Add : Share of losses of associates (67) (20) 235.0

Profit before income tax 5,299 9,440 (43.9)
Less : Income tax expense (782) (1,795) (56.4)

Profit for the year 4,517 7,645 (40.9)
Attributable to:
Equity holders of the Company 4,209 6,544 (35.7)
Non-controlling interests 308 1,101 (72.0)

Profit for the year 4,517 7,645 (40.9)
The Group’s revenue decreased by $3.4 million or 3.6% from approximately $94.6 million for the year ended 31 December 2009 to $91.2 million for the year ended 31 December 2010.

On a geographical basis, revenue from Singapore grew by 7.9% while overseas dipped by 8.3% in the FY 2010 as compared to FY 2009.

**ORNAMENTAL FISH**

The reduction in the ornamental fish revenue in FY 2010 as compared to FY 2009 was mainly due to the following:

- Although the supply of self-bred Dragon Fish from the Malaysian farm resumed in the 2nd quarter of 2010, after the production was affected by the unprecedented severe hot weather during the 1st quarter of 2010 till early April, the quantity of these self-bred Dragon Fish available for sales in FY 2010 was lower than that in FY 2009 when there was a constant supply of self-bred Dragon Fish throughout the year. Nevertheless, the Group recorded healthy sales from its self-bred Dragon Fish, notwithstanding the revenue registered from these sales was lower than in FY 2009.

- Widespread airport closures and flight cancellations over European air space from mid-April to early May as a result of the Icelandic volcanic ash and again in the month of December as a result of heavy snowfall has affected the ornamental fish activities in various European countries during this period. This has a negative impact on the revenue of the ornamental fish as more than 20% of the Group’s revenue is from European countries.

- The FIFA World Cup football tournament held in June to July this year has also affected the export of ornamental fish to many countries over the world as it has been the norm that consumers do not actively make ornamental fish related purchases during the duration of the tournament.

- Weakening purchasing sentiments from the challenging European markets in anticipation of the cuts in the government’s budget spending have resulted in a reduction in demand for ornamental fish in that region.

**ACCESSORIES**

The reliant of the accessories export business continued to turn in consistent revenue throughout the financial year. However, the Group’s accessories operations located in Bangkok, which accounts for approximately 15% of the total accessories revenue, experienced temporary disruption as a result of the political riots in Bangkok from mid-March to mid-May. During this period, the domestic accessories wholesale activities, as well as the retail chain stores in Bangkok’s downtown area, drew to a halt during the violent demonstrations and curfews. This, coupled with the weak purchasing sentiments in Bangkok during the riot period and the lower accessories export from the Guangzhou factory as a result of the reduction in production orders received from its OEM customers with business dealings mainly in the European markets which were affected by the region’s sluggish economic conditions, has resulted in a reduction in the accessories revenue in the current financial year as compared to FY 2009.

**PLASTICS**

Revenue from plastics activities continue to register a steady increase in the current financial year as compared to FY 2009 as it stays focus on generating revenue through enlarging the customer base and selling more varieties of plastic products.

Operating profit before taxation decreased by $4.1 million or 43.9% to $5.3 million as compared to the previous financial year. Profit after taxation attributable to equity holders decreased by 35.7% from $6.5 million in FY 2009 to approximately $4.2 million in FY 2010. Despite a significant reduction in operating profit year-on-year, the ornamental fish business remained the main profit contributor in the current financial year.

The significant drop in the operating profit from ornamental fish in FY 2010 as compared to FY 2009 was mainly due to the following factors:

- Although the supply of the self-bred Dragon Fish resumed in the 2nd quarter of 2010 after the production was affected by the unstable weather condition, the quantity of these self-bred Dragon Fish available for sales is lower than when there was a constant supply of self-bred Dragon Fish throughout the year. The reduction in the supply of self-bred Dragon Fish available for sales has affected the profitability of the Dragon Fish sales since the 2nd quarter of 2010 as sales of self-bred Dragon Fish yielded better margin as compared to the sales of Dragon Fish sourced from third parties.

- As revenue contribution from the export of ornamental fish was affected by the closure of the Europe airspace, low business activities during the FIFA World Cup period, stronger SGD dollar and the weakening purchasing sentiments from the European markets, the operating profit from the ornamental fish business reduced accordingly.

- More resources have to be deployed to fulfill the necessary requirements in order to comply with the newly implemented European Union (EU) regulations on the export and import of ornamental fish. The stricter regulations imposed has also affected the regular supply of ornamental fish from certain of the suppliers which led to the exploring of other “non-traditional” markets for alternative supply of ornamental fish at a higher cost.

**ACCESSORIES**

Accessories activities remain the key contributor in the current financial year.

**PLASTICS**

During the current financial year, despite registering an increase in revenue contribution, the operating profit from the plastics activities dipped marginally mainly due to higher raw material costs (resins) in the 2nd quarter of 2010 as compared to the previous financial year.

**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 marginally lower corporate expenses reported in FY 2010 were 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.
As at 31 December 2010, credit facilities in the form of short-term loans, bank overdrafts, letter of credit and other banking facilities provided by major financial institutions to the Group amounted to approximately $34.7 million of which $15.8 million was utilised.

**Financial Position**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>107,409</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>103,767</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

**Total Liabilities** - Decreased by $0.2 million as at 31 December 2010 mainly due to the settlement of bank borrowings from financial institutions with cash generated from operations during the financial year and the decrease in tax liabilities due to lower profit registered by the Group. The reduction was partially offset by the increase in trade & other payables mainly due to increase in the purchase of raw materials held by the Guangzhou factory.

**Shareholders’ funds** - Increased from $59.2 million as at 31 December 2009 to $62.7 million as at 31 December 2010. The increase was attributed mainly to profit attributable to equity holders for the financial year and non-controlling interests.

**Non-controlling interests** - Increased from $10.0 million as at 31 December 2009 to $10.3 million as at 31 December 2010 was due to profit contributions from the non-wholly owned subsidiaries for the financial year.

**Capital Expenditure**

In FY2010, capital expenditure incurred were mainly for the enhancement of infrastructure and farm facilities in Singapore and overseas. With completion of the construction and expansion of the Dragon Fish breeding and farming facilities in Singapore and Malaysia in FY 2009, the Group does not foresee any substantial capital expenditure going forward, other than the on-going maintenance of its farm facilities.

**Cash and Cash Equivalents**

Overall, the Group’s cash and cash equivalents increased by approximately $1.8 million in FY 2010 to $11.7 million as compared to approximately $9.9 million a year ago.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash and cash equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>11,691</td>
</tr>
<tr>
<td>2009</td>
<td>9,847</td>
</tr>
</tbody>
</table>

**Capital Structure & Financial Resources**

The Group maintains a strong balance sheet (Statement of Financial Position) and an efficient capital structure to maximise returns for shareholders. The Group has sufficient cash and cash equivalent and an adequate amount of standby credit facilities. Funding of working capital requirements and capital expenditure is through a mixture of short-term market borrowings and long-term loans.

**Cash & Cash Equivalents**

As at 31 December 2010, credit facilities in the form of short-term loans, bank overdrafts, letter of credit and other banking facilities provided by major financial institutions to the Group amounted to approximately $34.7 million of which $15.8 million was utilised.

The reduction in the Group’s net cash from operating activities in financial year ended 31 December 2010 was mainly due to lower operating profit generated in current financial year as compared to FY 2009 and that the profit generated has yet to be fully realised into cash as the trade receivables balances have increased in accordance with the higher credit sales generated in the last quarter of FY 2010. In addition, the Group’s Guangzhou factory has redeployed more funds into raw materials purchases to fulfill new orders due for delivery in the coming quarter.

Net cash used in financing activities (2,708) was mainly related to sales proceeds from the disposal of two plots of land in the Malaysia farm. The amount was partially offset by the capital expenditure incurred for on-going enhancement to the infrastructure and farming facilities in Singapore and overseas.

Net cash used in investing activities (2,708) was mainly related to sales proceeds from the disposal of two plots of land in the Malaysia farm. The amount was partially offset by the capital expenditure incurred for on-going enhancement to the infrastructure and farming facilities in Singapore and overseas.

Net increase in cash and cash equivalents 1,792.

Cash and cash equivalents as at end of year 11,691.
The proposed dividend took into consideration the Group’s profit growth, cash position, positive cash flow generated from operations and the projected capital requirements for business growth. With minimal capital expenditure and generation of strong cash from operating activities, the Group is moving towards becoming a debt-free company with high dividend payout.

Although the Group has not set a concrete dividend policy at present, it always aimed to reward its loyal and supportive shareholders. Qian Hu paid a first and final cash dividend of 0.5 cents per ordinary share for the financial year 2009. For the financial year ended 31 December 2010, the Directors are pleased to declare a final dividend of 0.5 cents per share, paying up to approximately 54% of the net earnings in the current financial year. The proposed dividend, if approved by the shareholders of the Company at the forthcoming Annual General Meeting to be held on 11 March 2011, will be paid out on 8 April 2011.

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

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills payable to banks (unsecured)</td>
<td>4,363</td>
<td>4,290</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>178</td>
<td>180</td>
</tr>
<tr>
<td><strong>Long term bank loans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Secured</td>
<td>10,300</td>
<td>9,800</td>
</tr>
<tr>
<td>- Unsecured</td>
<td>1,180</td>
<td>2,194</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>373</td>
<td>322</td>
</tr>
<tr>
<td><strong>Total borrowings</strong></td>
<td>16,394</td>
<td>16,860</td>
</tr>
</tbody>
</table>

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.31% to 1.43% (2009: 1.48% to 2.18%) per annum and are repayable within the next 12 months from the reporting date.

The long-term loans outstanding as at 31 December 2010, taken by a subsidiary company:
- A 10-year unsecured bank loan of RM3.5 million, bears interest at 7.80% (2009: 7.05%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- A 5-year unsecured bank loan of RM8.5 million, bears interest at 7.30% (2009: 6.55%) per annum and is repayable in 60 monthly instalments commencing May 2006.

In addition, included in the long-term loans outstanding as at 31 December 2009, there was a 7-year bank loan of RM0.5 million (secured by a mortgage on a subsidiary’s freehold land), repayable in 84 monthly instalments commencing January 2005 which bore interest at 6.80% per annum and a 5-year bank loan of RM1.85 million (unsecured, repayable in 60 monthly instalments commencing August 2006) which bore interest at 7.05% per annum. These amounts have since been fully repaid in April and July 2010 respectively.

The Group has classified long-term bank term loans of $5.8 million (2009: $3.7 million) not scheduled for repayment within twelve months from the reporting date as current liabilities as the Group does not have the unconditional right of the reporting date to defer settlement for at least twelve months after the reporting period and these loans can be called by the bank lenders at any time even if there is no default. The comparative amounts have been reclassified for consistency.

As at 31 December 2010, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $11.2 million (2009: $11.0 million), of which approximately $5.0 million (2009: $5.8 million) had been utilised.

**SHAREHOLDER RETURNS**

Although the Group has not set a concrete dividend policy at present, it always aimed to reward its loyal and supportive shareholders. Qian Hu paid a first and final cash dividend of 0.5 cents per ordinary share for the financial year 2009. For the financial year ended 31 December 2010, the Directors are pleased to declare a final dividend of 0.5 cents per ordinary share, paying up to approximately 54% of the net earnings in the current financial year. The proposed dividend, if approved by the shareholders of the Company at the forthcoming Annual General Meeting to be held on 11 March 2011, will be paid out on 8 April 2011.

The proposed dividend took into consideration the Group’s profit growth, cash position, positive cash flow generated from operations and the projected capital requirements for business growth. With minimal capital expenditure and generation of strong cash from operating activities, the Group is moving towards becoming a debt-free company with high dividend payout.
RISK FACTORS AND 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 six countries with assets and activities spreading across the Asia Pacific. The subsidiaries and associates in these countries are susceptible to changes in government regulations and unfavourable political developments, which may limit the realisation of business opportunities and the Group’s revenue in these countries. In addition, the Group’s business operations are exposed to economic uncertainties and external events that may 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 2010, approximately 66% of the Group’s assets are located overseas, while revenue from overseas customers constitutes approximately 66% of the total revenue in FY 2010. 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 programmes, as well as through business continuity planning. The Group has also acquired ISO 14001 certification for its environmental management system to preserve natural resources and minimise wastage.

Although Qian Hu has always been viewed as a family business largely run and controlled by the Yip family, it is in fact run by a team of dedicated Qian Hu family members and professional managers, not solely by the Yip family members. Although no individual is indispensable, the loss of specialised skills and the leadership of the Executive Chairman & Managing Director, Mr Kenny Yip, 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 programme to identify and develop a team of talented employees based on their merit – family members are not given special preferences – who can take Qian Hu to the next lap of growth. The Group believes that training a team of next-generation leaders is critical to the continuity of the business which should last beyond this generation.

PRODUCT RISK

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fish are vulnerable to different types of diseases. While it is possible that a rare or viral 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 fish. Currently, all the Group’s domestic and overseas fish operations have attained ISO 9002 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 contribute approximately 20% of the Group’s total revenue for the year ended 31 December 2010, we sell 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 sales 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 2006, focusing on research of Dragon Fish breeding technology, fish disease diagnosis and curing, product innovation on aquarium accessories and new forms of ornamental fish farming technology.

INVESTMENT RISK

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

FOREIGN EXCHANGE RISK

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

The Group does not have any formal hedging policy against foreign exchange fluctuations. However, it continuously monitors 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 currency 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 management is 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 proactive approach by making specific provisions once trade debts are deemed net 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 a view to ensure that changes in interest rates to which the Group’s results could be exposed will not result in an adverse movement in interest rates.

The Group’s cash balances are placed with reputable banks and financial institutions. For financing obtained through bank borrowings and finance issue 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 move towards becoming a debt-free company will also address this risk.

LIQUIDITY RISK

The Group’s liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations as and when they fall due. Credit risk management is audited and reviewed regularly to ensure that 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 liquidity to generate cash from operating activities, accordingly the Group’s cash and cash equivalents will continue to improve, hence reducing liquidity risk.

DISRUPTIVE FINANCIAL INSTRUMENT RISK

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

Corporate transparency, consistency and openness are the values that we hold very dearly in our communications to our stakeholders and are at the very core of our investor relations commitment. The Group’s Executive Chairman and Managing Director, Mr Kenny Yap, personally drives the investor relations efforts, with the support of the Group’s investor relations consultant, August Consulting. Their email addresses are listed on our annual reports and corporate website.

Since our listing in 2000, we have been engaging analysts, fund managers, the media and a small group of members from the ShareInvestor.com who regularly participate at our online forums hosted by ShareInvestor at our half-year and full-year results briefings. The Q&A online forum is conducted every quarter after our results release. Qian Hu was, in fact, the first listed company to offer this form of online dialogue in 2001.

Our results briefings, which are meant to give the investment community a deeper understanding of our business and industry, are chaired by the Group’s Executive Chairman, Deputy Managing Directors and Finance Director, who are available to address any issues during and at the end of the briefings. Those who cannot attend the results briefings have the option to listen in through the live audio-cast and post questions in real-time, or watch the events through recorded video webcasts at their own leisure. Since 2005, we have been compiling information kits given out at our year-end results briefings. From our knowledge, we are probably the only company to have a Chairman’s Message, press releases, presentation slides, Financial Statements and FactSheet spiral bound in one colourful “mini annual report” given out each year. We interface with retail investors through our website www.qianhu.com which is updated regularly so that the investing public and shareholders can get the latest announcements, news releases and financial results.

We actively engage the investment community through analyst visits to our farm, as well as regular roadshows to the various securities firms in Singapore. Qian Hu’s share performance is covered by research houses such as CIMB-OK Research, Phillips Securities Research and NRA Capital. Our goal is to grow our business and market capitalisation to a point that will attract more institutional interest and equity research coverage.

The Annual General Meeting is also another important platform for shareholder communications. Our 11th AGM held on 16 March 2010, was attended by 53 shareholders and proxies. The Board of Directors and senior management were present to answer shareholders’ queries as well as to listen to their feedback. Qian Hu is the first listed company to record the questions and comments of our shareholders and the answers from the CEO and the Management at our annual general meetings, and making the detailed minutes available on both the SGX and the Company’s website after the meeting.

AWARDS & ACCOLADES

Committed to the best practices in corporate transparency and governance, Qian Hu has been recognised for our efforts by our winning awards such as the Most Transparent Company Award from the Securities Investors Association (Singapore) since 2001. We have also regularly topped the Business Times Corporate Transparency Index (CTI).

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

In 2010, Qian Hu was the first SME to be awarded Gold for Best Managed Board at the Singapore Corporate Awards.
Our people are our biggest asset and it is pivotal that we remain committed in engaging and developing our staff to their fullest potential, thereby nurturing a competent workforce that is able to contribute effectively to Qian Hu’s growth.

OUR HR PHILOSOPHY
People Excellence is one of the four strategic thrusts that the senior management are committed to since 2000. Alongside the other three strategic thrusts - Customer Focus, Quality Excellence and Financial Strength - these values place Qian Hu in a balanced perspective that sustains the Group’s core activities. In November 2009, Qian Hu was awarded the People Excellence Award which complements Spring Singapore’s Singapore Quality Award (SQA). This demonstrated our commitment to continuous improvement as well as our drive for a high standard of management through staff development and human resource management.

As at 31 December 2010, the Group has 719 employees, of which 145 are at our Singapore headquarters while the remaining 574 are from our overseas subsidiaries in Malaysia, Thailand and China. Of those working in Singapore, 7% of them have served more than 10 years in the Group, whilst 26% of them have served between 5 to 10 years.

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

At Qian Hu, our strong emphasis on promoting teamwork and entrepreneurship continues to shape our corporate culture. All members are encouraged to converge fun and creative thinking in our daily lives, not limited to just the workplace but outside of work as well.

STAFF COMMUNICATIONS
To keep our staff informed of the Group’s developments, we publish bi-annual in-house newsletters “FISH MATRIX” which are disseminated to all employees via hard copies. These newsletters are also uploaded on our website. All divisional senior managers also hold regular briefings to ensure that important and inspiring messages are personally delivered and emphasised.

TRAINING
Our training budget is pegged at 2% of our total payroll, and each staff spends approximately 40 hours in training.

During the financial year, aside from internal-on-the-job training, a total of 89 staff members were assigned for training on workplace safety, supervisionary, creative and problem solving and language enhancement courses.
Employee Statistics

<table>
<thead>
<tr>
<th>Level</th>
<th>No. of Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Management</td>
<td>56</td>
</tr>
<tr>
<td>Middle and Junior Management</td>
<td>141</td>
</tr>
<tr>
<td>Administration and Clerical</td>
<td>522</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>719</strong></td>
</tr>
</tbody>
</table>

Statistics on Length of Service

<table>
<thead>
<tr>
<th>Year of Service</th>
<th>No. of Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>481</td>
</tr>
<tr>
<td>Between 5 to 10 years</td>
<td>187</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>719</strong></td>
</tr>
</tbody>
</table>

Statistics on Education Qualification

<table>
<thead>
<tr>
<th>Qualification</th>
<th>No. of Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree and above</td>
<td>97</td>
</tr>
<tr>
<td>Diploma and equivalent</td>
<td>160</td>
</tr>
<tr>
<td>Secondary and below</td>
<td>440</td>
</tr>
<tr>
<td>Skill Certificate</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>719</strong></td>
</tr>
</tbody>
</table>

Comparison of our current senior management team and our succession team

<table>
<thead>
<tr>
<th>Current Management Team</th>
<th>Succession Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average age</td>
<td>47</td>
</tr>
<tr>
<td>Number of team members</td>
<td>14</td>
</tr>
<tr>
<td>Nationalities</td>
<td>Mostly Singaporeans</td>
</tr>
<tr>
<td>Highest Education Level</td>
<td>MBA</td>
</tr>
<tr>
<td>Lowest Education Level</td>
<td>Primary 6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Succession Team</th>
<th>Average age</th>
<th>Number of team members</th>
<th>Nationalities</th>
<th>Highest Education Level</th>
<th>Lowest Education Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29</td>
<td>20</td>
<td>Singaporeans, Thais, Malaysians</td>
<td>Diploma</td>
<td></td>
</tr>
</tbody>
</table>

EMPLOYEE PROFILE

Qian Hu has 145 employees in its Singapore operation and a total workforce of 719 employees including those in its overseas subsidiaries.

Feedback Platforms

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

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

Qian Hu’s Succession Planning

Succession planning is an essential process for maintaining growth momentum and business continuity, no matter how certain the future holds. We recognise that no one is indispensable, but that the absence or loss of key management can be detrimental, resulting in a loss of shareholder confidence. Modelling after the succession planning policies in some of the larger organisations, Qian Hu has put in place a structured succession planning programme as early as 2004 because we believe that some 10 to 15 years would be required to train a team of next generation leaders.

We are not looking for a single talent, but rather a cohesive team that will take Qian Hu to the next lap of growth. A member from this team will become the CEO of the next generation of senior management, and selection will be based on a number of stringent criteria such as, assessments from the Board’s nominating committee; peer appraisals; and their individual track record and performance.

Performance recognition at Qian Hu has always been, and will always be, based on merit - family members will not be given any special preferences. The person whom we are grooming to be Qian Hu’s future CEO must embrace our corporate culture and values wholeheartedly. He (or she) must be able to put the interest of the company before his (or her) personal interest, be able to handle stress, and yet be hungry and ambitious. This is necessary because the Group must not rest on its laurels but continue to pursue, progress and evolve, otherwise, we will be out of the race.

With the current senior management as their mentors, all of our management trainees are rotated to handle different portfolios. Those who are capable must be able to take on overseas assignments and be able to reliably perform in challenging environments.
Qian Hu recognises that Corporate Social Responsibility (CSR) plays an important role in building the confidence and goodwill of our stakeholders, and maintaining our commitment to the society and environment given our standing as a leading ornamental fish and pet accessories company. Our CSR policy is built upon the premise that “All lives should be cherished and treasured”. We aim to align our economic interests with those concerning the environment and community. At Qian Hu, we aspire to be an organisation with a big heart – one that is continually aware of any impact that our business activities or actions may have on the environment, as well as the needs of the underprivileged around us. We continually instill these values in our people, believing that our CSR commitment and involvement will see us through in the long haul.

OUR ENVIRONMENT
Preserving the environment is necessary for the long-term sustainability of our business. While creating value in our business, we aim to minimise the impact that our activities have on the environment.

Qian Hu fully complies with the regulatory requirements of our ISO14001 - certified Environmental Management System, where we strive to preserve and recycle our natural resources in our daily activities. Not neglecting the plight of endangered wildlife, our entire operations are also compliant with the standards set out by the United Nations’ Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

OUR COMMUNITY
Extending our care and concern to the community has been part of our family culture and we take pride in our community work. For the last nine years, our contribution to charity – approximately 1.3% of pre-tax profit – has stayed above the national average index of 0.22%. This year, our Annual Charity fundraising event was held at our farm for the second time. The 2010 Charity Farm Fair, held over the weekend of 20 and 21 November 2010, managed to raise $16,000 for two charities, namely the Red Cross Home for the Disabled and Gaylang East Home for the Aged.

We strongly believe that participation in social activities for the social and business community will have a positive impact on the physical and social well-being of our employees, hence, we remained active in social work during the year and continue to organise visits to old folks home, and provide free farm tours and the use of our facilities for the underprivileged. Some of our directors and senior managers have also been actively sharing their management experiences with the business community.
Financial Calendar

2010

11 January
FY 2009 Full year results announcement (with media and analysts briefing)

16 March
Annual General Meeting

12 April
Payment of dividend

19 April
1Q 2010 results announcement

19 July
2Q 2010 results announcement (with media and analysts briefing)

18 October
3Q 2010 results announcement

2011

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

11 March
Annual General Meeting

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

18 April
1Q 2011 results announcement

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

17 October
3Q 2011 results announcement