

Sustainability at Qian Hu

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Message From The Board

“At Qian Hu, we embrace sustainability. It is part of our operating DNA and defines us as a company. Our approach to sustainability is guided by several factors: listening to our stakeholders, identifying the key material Environmental, Social and Governance (ESG) aspects of our business, and ensuring we have a sustainable framework in place to track our progress.”

Our journey to sustainability reporting is not something new to us; we started as early as FY 2011, and we have been committed to improving our quality of our reporting every year since. Since launching our first Sustainability Report in January 2012, we have obtained the minimum Application Level C Statement from internationally acclaimed Global Reporting Initiative (GRI) – one of the world’s preferred standards for sustainability reporting.

That same year, we also clinched top honours in the Small & Medium Enterprise category at the Singapore Sustainability Awards 2012. Organised by the Singapore Business Federation, this marked the recognition for our long-standing commitment towards building a sustainable business for future generations.

We have outlined our strategic priorities presented in the Materiality Matrix on Page 47, and our efforts in these areas are aimed at continuously delivering sustainable, profitable growth for the Group.

With these priorities in mind, we have mapped a clear and encompassing approach to sustainability that will cover critical areas of our businesses. We believe in creating a sustainable business strategy that can align with profitability. As a Group, we recognise the impact of our operations on the environment and our stakeholders, and as such we strive towards the highest levels of corporate citizenry by managing our brands responsibly. As a result of our sustainability efforts, we aspire to see these initiatives lead to increased value creation, along with positive impact on our environment and societies.

SCOPE OF REPORT

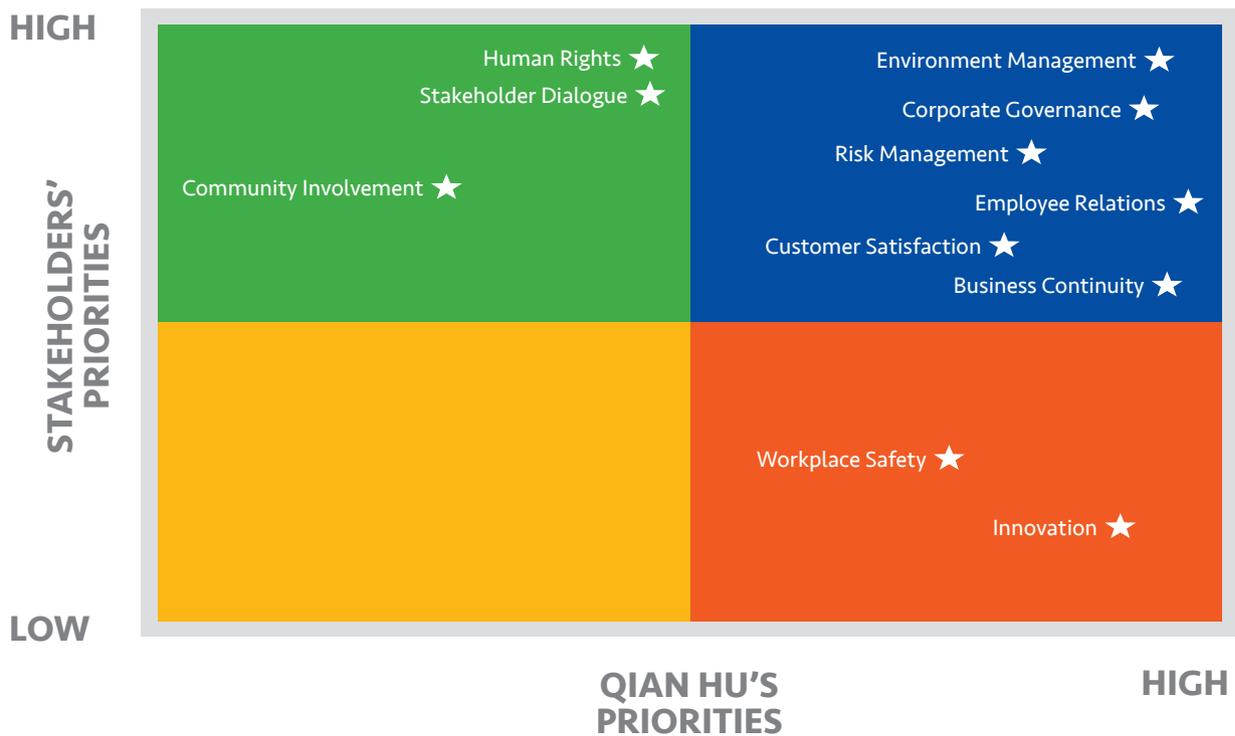
Qian Hu’s sustainability report focuses on addressing our material ESG matters, and aims to provide readers with an accurate, complete and meaningful overview on how we manage these sustainability issues in our business sectors.

Our sustainability reporting is based primarily on the GRI G3 principles and framework, and this year’s report is checked against the GRI 3 Framework as Application Level C and addresses activities and data that fall within the company’s financial year for the period from January 1 to December 31, 2016.

Further information on our efforts towards Environmental, Social and Governance matters can be found under pages 52-53, pages 50-51 and pages 61-106 respectively.

MATERIALITY ASSESSMENT

Based on feedback gathered from our stakeholders, we have evaluated and identified key material factors that have an impact on our businesses, and our priorities are reflected in the Materiality Matrix below. The materiality assessment is endorsed by Qian Hu’s management committee, and these factors will be reviewed regularly moving forward.



Supply Chain Management

ENGAGING OUR SUPPLIERS



At Qian Hu, we engage regularly with our suppliers at every stage of our purchasing process and as such, they are a key component our overall supply chain management effort. Through our supplier partnership programme, we hold regular meetings with them to understand their needs and challenges. We take on their feedback and formulate action plans where possible to enhance the sustainability of our partnership.

Our major suppliers are carefully selected based on track record and endorsed by way of our Approved Vendor List. In addition, our suppliers are also assessed on their ability to complement our commitment to deliver high quality products and services, and adhere to high standards of environmental and social practices in line with Qian Hu's governing principles. In cases where suppliers encounter difficulties in meeting our specifications, our team will provide feedback on areas of improvement. These initiatives ensure that the communication channels between Qian Hu and our suppliers are always open and robust.

PRIORITISING OUR CUSTOMERS



Customers are our priority. Our future depends on having strong customer relationships, which we strive to reinforce by providing reliable services, possessing adequate product knowledge and supplying a good variety of quality products.

We have an international customer base that is located in more than 80 cities and countries around the world. Due to the nature of the ornamental fish distribution business, flight accessibility and connectivity, as well as having an efficient distribution infrastructure at the port of call, are absolutely critical to fulfil timeliness of delivery and low DOA (dead-on-arrival) rates.

All of our customers enjoy easy access to feedback platforms or make direct inquiries through our sales and marketing personnel and senior management. Channels of contact include dedicated sales and marketing executives assigned to specific customers, Qian Hu's website, as well as trade shows and exhibitions. Multi-pronged contacts are established through regular visits and dialogue with customers via telephone calls, faxes, emails and formal/informal meetings. At Qian Hu, customer satisfaction is tracked through regular Customer Satisfaction Surveys, and Customer Commendations.

DRIVING INNOVATION

We are constantly curious and creating new ideas at Qian Hu, and our approach to R&D is largely similar in nature. We always welcome new ideas in the organisation, regardless of hierarchy, and we encourage our staff to be bold and daring at the ideation phase. This stems from our "Creating Value from Mistakes" mindset, where we advocate the fact that we can draw value from our past mistakes and strive to do even better in future.

Over the years, we have invested heavily in continuous innovation, and our efforts have paid off with several Qian Hu inventions which have been successfully implemented and well-received in the market. Amongst a few, our patented Hydro-Pure technology is known in the market for its ability to detoxify and depurate water in both marine and freshwater environments for biologically cleaner and healthier water. The Hydro-Pure technology has since enjoyed immense success, and has been continually scaled upwards in various other applications as well – including our popular Hydra range of products, our Multi-Tier Automated Water Recirculation Tank Holding System in our export hubs in Singapore, Malaysia, Thailand and China which helps improve productivity.

In addition, Qian Hu's early innovation in Arowana pellet food has also enjoyed immense popularity across the markets where we operate. We have invested this know-how into other ranges of fish food, and developed an extensive range of pellet food based on the same winning formula – the OF PRO series of fish food for Goldfish, Discus, Blood Parrot, Miniature Fish, as well as marine fish – amongst others.



Community Involvement

Qian Hu's Community Involvement Policy is based on 3Cs – Charity, Community and Commitment. We proactively seek opportunities to participate in initiatives to promote philanthropy, social causes, as well as business and entrepreneurship in our community.

We believe that by integrating social responsibility throughout an organisation and having our Qian Hu Family work cohesively on these initiatives brings benefits – not only to the community, but also ourselves as the same spirit of commitment and working together for the common cause is crucial in unifying a workforce.

GIVING BACK TO OUR COMMUNITY

Since 2001, our employees have been encouraged to be involved in community activities, and donate to these selected charities. Our employees visited the Lee Ah Mooi Old Age Home in April this year, as well as the Lions Home for the Elders in December as part of the effort to do our part for community. Each of our Singapore subsidiaries donated generously to this meaningful cause, and this was matched by the Company dollar-for-dollar as well.

We also conduct regular free farm visits for underprivileged children and handicapped welfare groups, and contribute fish to schools and helps to increase fish stocks in our local reservoirs. Through our subsidiary in Malaysia, we donate dog food to animal shelters as well.





DOING OUR PART FOR THE BUSINESS COMMUNITY

Our Chairman and Managing Director, Kenny Yap, participates regularly in public speaking and sharing sessions with the wider community, ranging from local institutions and schools to international business groups. Many participants, both locally and overseas, have benefitted from these sharing sessions, which advocate the best practices in our Business Excellence journey.

In 2016, amongst others, he offered his views as a panellist at the Lianhe Zaobao Budget 2016 Roundtable amongst other academics, MPs and business and union representatives. He also spoke on topics such as entrepreneurship and innovation to MBA students from University of Southern California, and the University of California, Berkeley respectively. During the year, he also discussed the transformation of SMEs in Singapore with small and medium-sized companies in the North West Community Development Council.

Members of our senior management team are also actively engaged in various committees such as AVA's Ornamental Fish Business Cluster, and Singapore Aquarium Fish Exporters' Association. In addition, Qian Hu offers internships to the Teachers' Network as well as various polytechnics in Singapore.

Through these platforms, we believe that we can add value to the business community by sharing our entrepreneurial and industry experiences.



In FY 2016,
Qian Hu has committed
more than
75 hours
on community
initiatives

Environmental Initiatives

Preserving the environment is necessary for the long-term sustainability of our business, and they are mutually dependent. While creating value in our business, we aim to minimise the impact that our activities have on the environment and proactively seek alternative means for more effective and sustainable use of resources.

Since 1998, Qian Hu has been complying with the regulatory requirements of the ISO 14001:2004 certified Environmental Management System where we strive to preserve and recycle our natural and reusable resources in our daily activities of fish breeding, nurturing, retailing, trading and export. We also adhere to environment standards such as CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) and ISO9001:2008.

We also aim to balance our economic interests with environmental concerns, and this is especially relevant for businesses such as ours. We are mindful that our products come from nature and the processes we carry out have an impact on the environment. We recognise our ability to carry

out some of our core business activities would not be possible without the natural resources around us, and our priority is to help preserve this environment.

Qian Hu's Environmental Policy

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





WATER MANAGEMENT

Water is vital for our fish farm operations and it has always been our key focus to reduce and reuse. In FY 2016, over 90% of our water consumption came from recycled water that is channeled from our in-house rainwater catchment areas built within the farm.

At one of our subsidiaries in China, our 10-tonne water storage system not only accumulates hot water in the day for use, but also provides water for fish farming after the purification process. This self-sufficient system is environmentally friendlier, and also generates up to 20% cost savings at the farm.

ENERGY CONSUMPTION

We are watchful of our energy consumption at Qian Hu. Besides tracing and implementing measures to reduce and promote the reduction of energy consumption, we have switched to alternative sources of energy through the use of solar panels in one of our subsidiaries in China. Comprising 1,200 pieces of solar tubes, the system provides sufficient energy for our tropical fish room operations during the winter months.

RECYCLING AND REUSE OF MATERIALS

Our subsidiary, Qian Hu Tat Leng Plastic Pte Ltd manufactures high-density and low-density polyethylene bags across a wide range of commercial and industrial sectors. During the manufacturing process of the bags, Qian Hu Tat Leng Plastic gathers cut-out plastic wastage and adds this back to the manufacturing mix in their efforts to recycle and reuse materials. In addition, the company produces bio-degradable polyethylene bags in accordance with EU guidelines which are exported to Europe.

At our fish farm in Singapore, we also make every effort to recycle and reuse materials so as to minimise our overall impact on the environment. We have also put in place a waste management programme to track wastage, pursue recycling efforts and reduce the use of environmentally unfriendly packaging materials. Our staff are encouraged to sort their waste according to these categories and contribute to the continuous recycling of papers, cartons, cans and plastics through our recycling bins.

Labour Practices & Conducive Workplace

OUR HUMAN RESOURCE PHILOSOPHY

At Qian Hu, our corporate culture is one where we place "People First". This unique approach ensures that everyone is well integrated into our Qian Hu family. In addition, teamwork and entrepreneurship are also deeply entrenched in our corporate culture, and we believe all these factors contribute to our exemplary staff retention record.

We take people excellence seriously, and as one of Qian Hu's four strategic values that form the essence of the Group's core values, our people are undoubtedly a key component of our continued sustainability as a global leader in ornamental fish distribution.

Recognised as a People Developer and a recipient of the People Excellence Award by SPRING Singapore, Qian Hu firmly believes in developing excellence in our people – our best asset – through sound human resource policies and management. We are committed to engaging and developing employees to their fullest potential so as to enable them to effectively participate and contribute to the future growth of Qian Hu.

We believe our emphasis on these tenets will continue to nurture a competent workforce. Our workforce today is diverse, robust, and multi-cultural. All our Qian Hu family 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.

FAIR, INCLUSIVE & MERIT-BASED LABOUR PRACTICES

As part of our human rights policy, we treat all employees with respect and dignity and give fair treatment, irrespective of nationality, race or religion. We abide by labour laws and appropriate guidelines that promote fair employment practices, and we embrace the principles of fair employment.

Our equal employment opportunity policy ensures that our hiring practices are fair, merit-based and non-discriminatory. We recruit and select employees on the basis of merit – skills, experience or ability to perform the job – regardless of race, age, gender, religion, marital status and family responsibilities, or disability. We also provide equal opportunity for training and development for our employees.

Qian Hu believes in the benefits of re-employing older workers to retain and tap into their wealth of experience, and more than 11% of our workforce is currently above 50 years of age. Where possible in terms of medical health and performance, Qian Hu welcomes certain categories of employees to continue their employment beyond the retirement age of 62 years.



We believe this approach contributes to increased productivity as the most suitable person is chosen for the right jobs, and this leads to better overall employee well-being. We also believe in fostering diversity in the workplace, and as such, our employees comprise of varying race, age, gender, and ethnic and educational background.

Our flexible wage guidelines allow us to adjust wage costs quickly by way of a sizeable variable component. By adopting these guidelines, we are able to adjust and better manage our wage costs in bad times, ensuring we stay nimble in managing wage costs to stay viable. In turn, our employees can enjoy better job security whilst we steer away from a typical seniority-based wage system, and they can also enjoy bigger bonuses in good times.

In addition, we do not engage in child labour or undertake unethical means to directly manufacture or provide business services in our businesses. We do not engage indirectly either in business with partners, suppliers or third party manufacturers that are known to use unethical means in their business processes.



SAFE & CONDUCTIVE WORKPLACE

Creating a safe and conducive workplace is one of our prerogatives, and our safety practices are in line with stipulated regulations and guidelines. Our in-house workplace health and safety committee regularly monitors and reviews our safety practices. The committee also monitors and tracks potential risks, which allows us to identify and rank safety hazards and address them in order of importance. Every year, the committee holds a review meeting to ensure all outstanding issues have been resolved, and that our practices remain in line with certified standards.

In order to upskill our employees in the area of workplace health and safety, we send our employees for related certified training in workplace safety and first aid on a yearly basis. We also invite external consultants to conduct trainings in introductory first-aid and using the AED (automated external defibrillator) machine at our farm. This ensures that our staff can operate the AED machine in the public area of our farm to provide immediate aid in the event of medical emergencies. In addition, our staff are also trained on the fire safety hazard processes at the farm. We hold regular fire drills and evacuation exercises in accordance with ISO14001:2004 standards. All our department heads, supervisors and staff are briefed to directly inform HR department on all accidents and injuries at the workplace,

including minor cuts, which will then file reports and claims accordingly if required.

To ensure a conducive work environment, we are guided closely by our Code of Conduct and Business Ethics, which applies to all the employees under our Group. We adhere to and believe in this code, and we will take disciplinary action towards misdemeanours which will affect our workplace environment and culture.

Amongst others, these inappropriate workplace behaviours include failure to observe safety instructions or that will endanger the life or safety of another person, laziness and inefficiency, not taking proper care of company tools and equipment, not keeping the workplace clean or tidy, theft or fraud within the company, demanding, offering or accepting bribes or any legal gratification, or disclosing information or trade secrets of the Company without permission.

Qian Hu also holds strong views on anti-corruption, and we require our employees to comply with the relevant anti-corruption legislation in all the markets where we operate. Our employees are also required to comply when giving or receiving gifts, or dealing with entertainment, sponsorships and charitable contributions.

Labour Practices & Conducive Workplace

EMPLOYEE DEVELOPMENT & WELLNESS

Our strong focus on our workforce is in line with our vision of being an employer of choice, and we work hard to continuously attract, retain and develop talent.

Apart from on the job training, our employees attend courses on training on workplace safety, supervisory skills, problem solving and language enhancement. All training processes are closely monitored and tracked by the line managers and our HR department to ensure that our employees' development and learning needs are adequately fulfilled. In fact, Qian Hu's training participation rates and training intensity in past years, as defined by the Ministry of Manpower (MOM), are comparable and better in most categories than the national averages.

We believe that our employees' development and wellness go hand-in-hand, and as such, our policies are structured to support both facets of our employee's well-being. A complimentary annual health screening programme ensures that general health checks are made easily accessible to employees by way of mobile health trucks. This year, we held regular group activities such as bowling, and power drumming sessions to foster interaction and bonding. We also celebrate our employees' birthdays on a monthly basis.

EMPLOYEE COMMUNICATIONS & ENGAGEMENT

In ensuring open communication channels with our employees across the Group on the business developments and activities of the Group, we publish a bi-annual in-house newsletter "FISH MATRIX" which is disseminated to employees, and made available on our website as well. All the senior managers from the divisions and subsidiaries also hold regular briefings with our employees to ensure that important strategies and inspirational messages are personally delivered and emphasised.

Since 2014, we have set up and developed our own novel, expedient way to disseminate corporate messages to our employees through our own short messaging broadcast system. These SMS notifications inform our staff of corporate activities, act as reminders and help communicate other staff-related content in a much quicker manner. The response from our employees has been very positive as the content is pushed automatically to them. In addition, each of our subsidiaries and divisions regularly utilise popular chat platforms in their market such as WeChat and LINE messenger to set up company-wide chat groups and exchange information.

Total of 550 employees as at 31 December 2016



186
based in Singapore. The rest from overseas subsidiaries in Malaysia, China, Thailand and Indonesia



62.9% Male
37.1% Female

22.5%

more than 10 years of service



20.9%

5 - 10 years of service



11.8%

employees above 50 years of age



PROVIDING FEEDBACK PLATFORMS

Qian Hu takes a holistic approach in ensuring there are sufficient platforms for feedback throughout the organisation as a whole, which also serves as a gateway to building stronger working relationships across all levels.

An Employee Opinion Survey is used to gather feedback, which enables the senior management team to gain insights into their performance as a leader and overall behaviour. This platform also enables us to highlight and monitor areas for improvement on an ongoing basis.

Every quarter, we host a dialogue session to promote open and healthy two-way communication with our staff. Our senior management takes on questions from our employees, and addresses their areas of concerns to ensure a common understanding.

A whistle-blowing policy is also in place within the Group to aid in the deterrence and reporting of corporate malpractice and misconducts. The policy is endorsed by our Audit Committee,

which provides the mechanisms where employees of the Company may, in good faith and in confidence, raise concerns or observations about possible corporate malpractices and misconduct in financial reporting or other matters directly to Mr Chang Weng Leong, Chairman of the Remuneration Committee.

Details of the whistle-blowing policies and arrangements have been made available to all employees. Through a well-defined process, all issues will be duly and independently investigated and handled with the appropriate measures. Furthermore, we provide assurance that employees will be protected from reprisal within the limits of the law.

Our Audit Committee takes responsibility to review and report all whistle-blowing issues at the quarterly Board meetings. In the case of serious offences and/or criminal activities in the Group, the Audit Committee and the Board have access to the appropriate external advice where necessary. Where appropriate or required, we will file a formal report with the relevant government authorities for further investigation or action.

Labour Practices & Conducive Workplace



Training budget is pegged at approximately **4%** of our total payroll



Each employee spent approximately **33 hours** on average in training for 2016

BUSINESS CONTINUITY & SUCCESSION PLANNING

Succession planning is an essential process for maintaining growth momentum and business continuity, particularly amidst our evolving industry landscape. Since 2004, Qian Hu has put in place a structured succession programme to prepare a team of future leaders for the Group's long-term sustainability.

Our management trainees have been undergoing a rigorous grooming process, which involves having them rotated to the various locations within the Group to handle different

portfolios and evaluate their performance in challenging business environments. This would ensure that they embrace the Group's culture of placing the Company's interests before personal interests, be able to handle stress, and yet be hungry and ambitious.

Qian Hu's future CEO will be assessed and nominated by the Board's Nominating Committee and supported with peer appraisals. It is the policy of the Company that the selection would be based purely on the individual's merit, such that the family members would not be given any special preference.



Investor Relations

Since our listing in 2000, Qian Hu has always upheld transparent and timely communications of its business strategies and performance to all of our stakeholders - investors, analysts, media and shareholders - in line with the highest standards of corporate governance.

Our relentless efforts in board management, risk governance, disclosure and sustainability, and in ensuring that the Group complies wholeheartedly with all the rules and regulatory requirements have been recognised continually by the business communities in Singapore and overseas. Our compliance culture is anchored on transparency, responsiveness and an emphasis on respecting both the letter and spirit of the law and regulations in the countries we operate in. Testament to our commitment in this area, our scores in the Governance and Transparency Index over the years have always placed us in the upper echelon of the rankings.

Lauded for consistently being one of the earliest to report its financial results every quarter, we are committed to ensuring that our unaudited results are released within 20 days from the end of the quarter, and audited full-year results are released within 15 days from the financial year end. In fact, we have constantly outperformed our own targets over the last 5 years by releasing our audited results within an average of 12 days after the end of the financial period.

We also ensure that we provide various communications platforms to bring our results to our stakeholders. Twice a year, our senior management team hosts a joint briefing for analysts, fund managers, the media and a small group of forum participants from Shareinvestor.com at our half-year and full-year results, where they are taken through a PowerPoint presentation. Each quarterly announcement is accompanied by a press release in both English and Chinese languages. For those unable to attend or prefer to watch the briefing at their convenience, a delayed video webcast is also available.

Once a year, at the full-year results briefing, we equip our shareholders with our financial information for the year by compiling all our financial materials in a unique "mini annual report". The mini annual report includes a message from our Chairman, press releases, presentation slides and the financial statements announcements.

The Annual General Meeting (AGM) is an important platform for shareholder communications. Qian Hu has developed several channels, which include our website, email or fax, for shareholders who are not able to attend the AGM to contribute their feedback and inputs. Detailed AGM minutes are posted on our website and the Singapore Exchange Securities Trading Limited (SGX) website within three business days after the meeting.



Our investor relations website - <http://qianhu.listedcompany.com> - is updated regularly with comprehensive data comprising SGX announcements, calendar of events, financial results, annual reports and investor presentations. The site also houses our corporate governance report, investors' Q&As and detailed minutes of our AGMs.

In addition, our investor relations team focuses on facilitating close communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns. The team has procedures in place to respond to investors' queries in a timely manner, and also works to keep our investing public apprised of our corporate developments and financial performance.

Outside of the financial announcement periods, when necessary and appropriate, our Chairman will meet analysts and fund managers who are looking to seek a better understanding of the Group's operations. Our Chairman also engages with local and foreign investors regularly to ensure that we are attuned to the investment community's needs. Where opportunities arise, our Chairman conducts media interviews to share Qian Hu's strategy with the wider public.

By supplying our stakeholders with reliable and timely information, and ensuring open platforms of mutual communication, we are able to strengthen our relationships with our stakeholders on the basis of trust and confidence in transparency, and ease of accessibility.

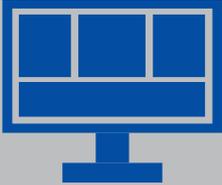
Committed to excellence in corporate reporting, Qian Hu continues to adopt international best practices. Since 2011, Qian Hu embraced sustainability reporting when the SGX first published the voluntary "Guide to Sustainability Report for Listed Companies".



Only listed company to have bagged the most number of awards at the Singapore Corporate Awards since its inception in 2006

<p>13 awards in total:</p> <ul style="list-style-type: none"> • 8 Gold • 2 Bronze • 2 Merit 	<p>Across 4 categories:</p> <ul style="list-style-type: none"> • Best Managed Board • Best Investor Relations • Best Annual Report • Best Chief Financial Officer
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1st listed company to engage the investing community via the Q&A online forum at Shareinvestor.com every quarter since 2001



INVESTOR RELATIONS TEAM CONTACT

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1st listed company to provide detailed minutes, including shareholders' questions and comments, as well as responses from the Board and Management at AGMs