

CREATING NEW VALUES THROUGH
INNOVATION

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SUSTAINABILITY REPORT



AN ORGANISATION WITH A HEART

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



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

We aspire to be an organisation with a heart – one that is continually aware of any impact that our business activities or actions may have on the environment, consumers, as well as the needs of the underprivileged around us. In January 2012, we published first Sustainability Report in our Annual Report for FY2011, and are pleased to have obtained the minimum Application Level C Statement based on FY2011 figures from the internationally-acclaimed Global Reporting Initiative (GRI) – one of the world's standard for sustainability reporting.

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

By making a commitment to report on our sustainability efforts, Qian Hu hopes to continue our tradition of instilling goodwill and confidence in our expanded sphere of stakeholders that have interests beyond corporate profitability.



SCOPE OF REPORT

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

Further information on corporate governance, risk management and investor relations, which are part of sustainability, can be found under pages 57-77, pages 40-41, pages 42-43 respectively.

This report is checked against the GRI 3 Framework as Application Level C and addresses activities and data that fall within the company's financial year for the period from January 1 to December 31, 2012. We are currently in the midst of submitting FY2012 data to GRI for review.

QIAN HU'S SUSTAINABILITY POLICY

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



CODE OF CONDUCT AND BUSINESS ETHICS

We have established a Code of Conduct and Business Ethics that sets the principles of our conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc.

A whistle-blowing mechanism was also established to aid in the deterrence and reporting of corporate misconducts. We do not engage in child labour or take unethical means, directly or indirectly to manufacture or provide business services in our business endeavours. By "indirectly", we are saying that we do not engage in business with partners, suppliers or third party manufacturers that are known to use unethical means in their business processes.

HEALTH, SAFETY AND THE ENVIRONMENT

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

EMPLOYEES

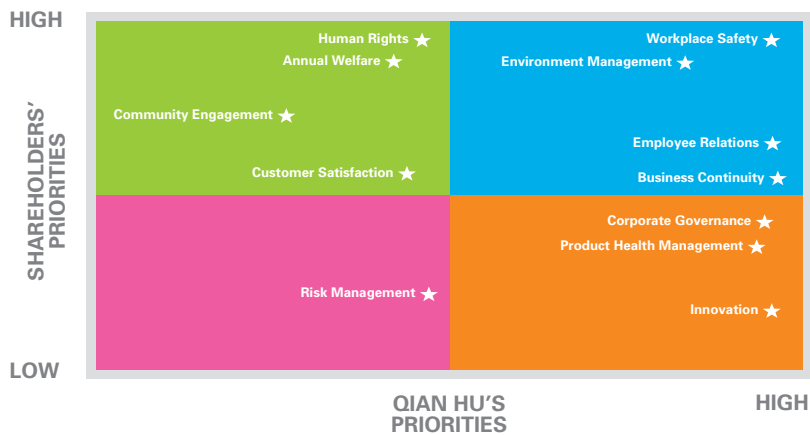
We believe in engaging and developing our staff to their fullest by providing opportunities for development and growth.

COMMUNITY

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

MANAGING SUSTAINABILITY – IDENTIFICATION OF KEY SUSTAINABILITY ISSUES

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



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

STAKEHOLDER ENGAGEMENT

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

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



RISK FACTORS AND RISK MANAGEMENT

Risk management forms a critically important part of business management. The Group's risk and control framework is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures.

It makes management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks. The risk management and control procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

RISK FACTORS	RISK MANAGEMENT
Country Risk	As at 31 December 2012, approximately 22% of the Group's assets are located overseas, while revenue from overseas' customers constitute approximately 71% of the total revenue in FY2012. Political, economic and industrial developments may affect our overseas assets and activities. The Group will continue to increase the percentage of its overseas assets and activities to reduce the risk of concentration in a single operation.
Operational Risk	The Group has 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.
Product Risk	The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure the health of its fishes. A R&D team was also formed in 2009 to focus on the research of Dragon Fish breeding behaviour, fish disease diagnosis and cure, product innovation on aquarium accessories, and new forms of ornamental fish farming technology.
Climate Change & Environmental Risk	Climate change and environmental risk is a growing concern especially in the last few years. The recent spate of natural disasters and continuing threat of future occurrences have prompted companies, Qian Hu alike, to embark on strategic reviews on key areas such as infrastructure and logistics, to minimise the business impact of untoward events. Our Group will also explore the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species, to mitigate and manage risks related to adverse weather conditions, and to ensure consistent supply of these fish species.
Investment Risk	The Group grows business through organic growth of its existing activities, development of new capabilities and joint ventures. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.
Foreign Exchange Risk	Although the Group does not have any formal hedging policy against foreign exchange fluctuations, it continuously monitors the exchange rates of major currencies and enters into hedging contracts with banks on a need-to basis.
Credit Risk	The Group has a 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.
Interest Rate Risk	The Group's cash balances are placed with reputable banks and financial institutions. It is also the Group's policy to obtain the most favourable interest rates available without increasing its foreign currency exposure for financing obtained through bank borrowings and finance lease arrangements.
Liquidity Risk	The Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate for working capital purposes to mitigate the effects of fluctuations in cash flows.
Derivative Financial Instrument Risk	The Group does not hold or issue derivative financial instruments for trading purposes.

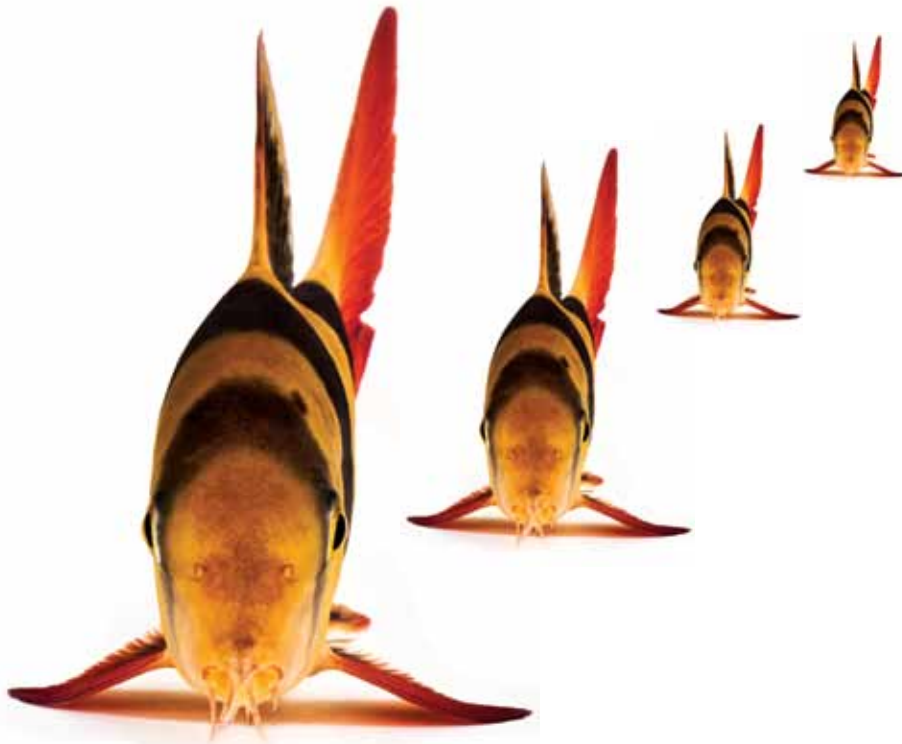
HEALTH, SAFETY AND THE ENVIRONMENT

Preserving the environment is necessary for the long-term sustainability of our business. While creating value in our business, we aim to minimise the impact that our activities have on the environment. Since 1998, Qian Hu fully complies with the regulatory requirements of our ISO14001 Environmental Management System where we strive to preserve and recycle our natural resources, such as water, in our daily activities of fish breeding, nurturing, retailing and export. Our operations are also compliant with the standards set out by the United Nations' Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

QIAN HU'S ENVIRONMENT POLICY

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

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



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

WATER AND ENERGY MANAGEMENT

Water is vital for our fish farm operations and has always been our key focus to reduce and reuse. In FY2012, over 90% of our water consumption came from recycled water that is channelled from our in-house rainwater catchment areas built within the farm. We are also mindful of our energy consumption by tracking and implementing measures to reduce and promote the reduction of energy consumption. In addition, we have also switched to alternative sources of energy through the use of solar panels in one of our subsidiaries. Through these efforts, although more production machines and fish tanks were added in FY2012, we have managed to maintain the increase in energy consumption under 10%.

WASTE MANAGEMENT AND RECYCLING

Through our waste management program put in place to track waste and recycling, our paper consumption in the Operations department has been effectively reduced by 12%. In addition, Qian Hu's Annual Reports have been printed using either recycled or environmentally friendly paper since FY2007.

WORKPLACE SAFETY

Workplace safety is a priority at Qian Hu. In 2012, only one work-related incident was reported. The worker's finger was pierced by a stingray. Operations Managers constantly remind our staff to be careful in work.

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

EMPLOYEE RELATIONS

OUR PEOPLE POLICY

As at 31 December 2012, the Group has 515 employees of which 197 are based in Singapore, while the remaining 318 are from our overseas subsidiaries in Malaysia, Thailand, China and Indonesia. At Qian Hu, our people are indeed our biggest asset, and pivotal to our continued sustainability as a global leader in ornamental fish breeding and distribution. We believe in engaging and developing our staff to their fullest potential, and nurturing a motivated workforce who will spearhead the Group's growth. Each year, our training budget is pegged at 2% of our total payroll, with each employee undergoing some 47 hours of training hours. We place a strong emphasis on safety, and during the year in review, a total of 64 employees were sent for workplace safety training as well as other skills enhancement training.



HUMAN RIGHTS

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

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

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

EMPLOYEE TURNOVER

Currently for our Singapore operations, our employee turnover rate is 1.52% of our staff strength. This is below the Singapore's average index of 2.30%.

STAFF PERFORMANCE AND CAREER DEVELOPMENT REVIEW

We take a holistic view on staff performance evaluations and our appraisal tools are used to assess the effectiveness of senior managers as well as employees. In addition, our employees are strongly encouraged to fill out a survey to provide feedback to senior management. Over the years, more than 80% of our employees have participated in the surveys. Our Employee Engagement Index has also been above 3.5.

BUSINESS CONTINUITY/SUCCESSION PLANNING

To ensure business continuity, Qian Hu has put in place a structured succession planning programme which began as early as 2004. This is because we recognise that it would take some 10 to 15 years for the next generation to garner sufficient experience to take over the leadership of the Group. We have identified a team who have the potential to be Qian Hu's future leaders, and out of this group, one will be chosen to be the next CEO and the criteria will be based on assessments from the Board's nominating committee, peer appraisals and individual performance.

Performance recognition at Qian Hu, has always been, and will continue to be, based on merit – it is our Company policy that family members will not be given any special preference.

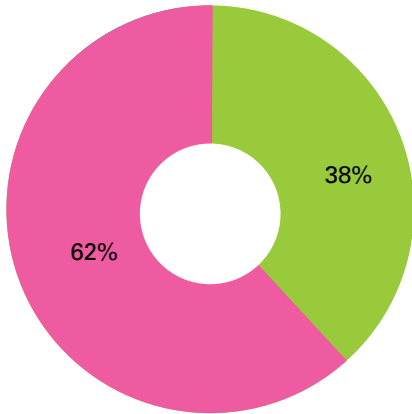
COMMUNITY ENGAGEMENT

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

- The Group's senior management takes the lead by pledging higher donations and committing more time for charity activities. Since 2001, the Group has a dollar-for-dollar donation programme – Qian Hu matches every dollar that staff donates and these are donated for specific charities.
- Over the years, Qian Hu's contribution to charities averaged 1.40% of the Group's PBT which is well above Singapore's national average of 0.23%.
- Qian Hu organizes an annual exhibition at popular shopping malls and organizes free farm visit for underprivileged children and the handicapped. Through its subsidiary in Malaysia, the Group donates dog food to animal shelters. Qian Hu also donates fish to schools and helps to increase stocks in reservoirs.
- In 2012, Qian Hu has committed over 48 hours on public speaking and sharing sessions with the wider community in support of business excellence and best practices. 1,460 participants ranging from local institutions and schools to overseas business groups have benefitted from these sharing sessions.
- Qian Hu also offers internships to the Teachers' Network and various polytechnics.

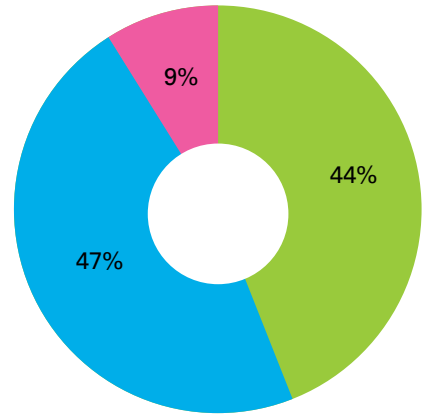
EMPLOYEE STATISTICS (QIAN HU GROUP)

EMPLOYEES BY LOCATION



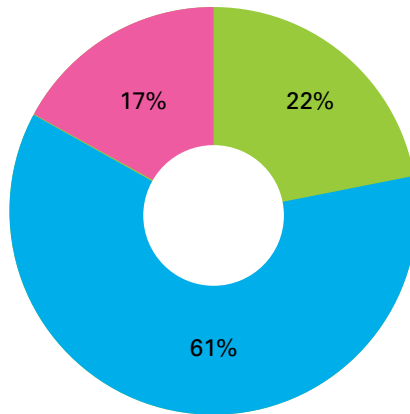
- Singapore
- Overseas Subsidiaries

EMPLOYEES' AGE DISTRIBUTION



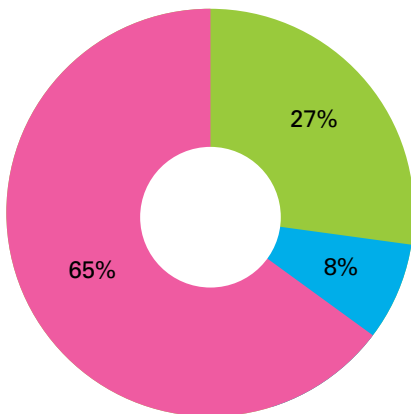
- Age 30 to 50 yrs old
- Under 30 yrs old
- Above 50 yrs old

LENGTH OF SERVICE



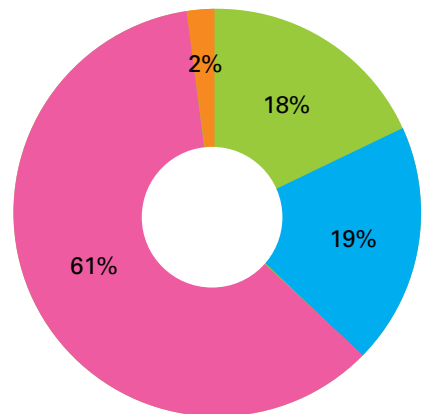
- 5 to 10 yrs
- Less than 5 yrs
- More than 10 yrs

EMPLOYEES' CATEGORY



- Middle Management & Executive
- Key Management
- Admin & Others

EDUCATIONAL QUALIFICATIONS



- Diploma & Equivalent
- Degree & Above
- Secondary & Below
- Skill Certificates

GRI REF.	GRI INDICATOR	QIAN HU DISCLOSURE WEBSITE LINK	ANNUAL REPORT SECTION/
STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organization.	AR pg 16-17	Chairman's Statement
ORGANIZATIONAL PROFILE			
2.1	Name of the organization.	AR Front Cover	Annual Report Front Cover
2.2	Primary brands, products, and/or services.	AR pg 32	Operating and Financial Review
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	AR pg 26	Group Structure
2.4	Location of organization's headquarters.	AR Back Cover	Annual Report Back Cover
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	AR pg 26	Group Structure
2.6	Nature of ownership and legal form.	AR pg 137	Statistics of Shareholders
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	AR pg 32	Operating and Financial Review
2.8	Scale of the reporting organization.	AR pg 32	Operating and Financial Review
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	AR pg 16-17	Chairman's Statement
2.10	Awards received in the reporting period.	AR pg 27	Awards and Accolades
REPORT PARAMETERS			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	AR: Pg 48	Sustainability Report: Scope of Report
3.2	Date of most recent previous report (if any).	AR: Pg 48	Sustainability Report: Scope of Report
3.3	Reporting cycle (annual, biennial, etc.)	AR: Pg 48	Sustainability Report: Scope of Report
3.4	Contact point for questions regarding the report or its contents.	QianHu Website	http://www.qianhu.com
3.5	Process for defining report content.	AR: Pg 48	Sustainability Report: Scope of Report
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	AR: Pg 48	Sustainability Report: Scope of Report
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	AR: Pg 48	Sustainability Report: Scope of Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	AR: Pg 48	Sustainability Report: Scope of Report
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	AR: Pg 48	Sustainability Report: Scope of Report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	AR: Pg 48	Sustainability Report: Scope of Report
3.12	Table identifying the location of the Standard Disclosures in the report.	AR: Pg 55-56	Qian Hu's GRI Standard Disclosures and Indicators Table

GRI REF.	GRI INDICATOR	QIAN HU DISCLOSURE	ANNUAL REPORT SECTION/ WEBSITE LINK
GOVERNANCE, COMMITMENTS, AND ENGAGEMENT			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	AR: Pg 57-77	Corporate Governance Report
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	AR: Pg 57-77	Corporate Governance Report
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	AR: Pg 57-77	Corporate Governance Report
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	AR: Pg 57-77	Corporate Governance Report
4.14	List of stakeholder groups engaged by the organization.	AR: Pg 49	Sustainability Report: Stakeholder Engagement
4.15	Basis for identification and selection of stakeholders with whom to engage.	AR: Pg 49	Sustainability Report: Managing Sustainability – Identification of Key Sustainability Issues
ECONOMIC			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	AR: Pg 32-39 AR: Pg 53	Operating and Financial Review Sustainability Report: Community Engagement
ENVIRONMENTAL			
EN3	Direct energy consumption by primary energy source.	AR: Pg 51-52	Sustainability Report: Health, Safety and the Environment
EN8	Total water withdrawal by source.	AR: Pg 51-52	Sustainability Report: Health, Safety and the Environment
EN10	Percentage and total volume of water recycled and reused.	AR: Pg 51-52	Sustainability Report: Health, Safety and the Environment
SOCIAL: LABOR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type, employment contract, and region.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA2	Total number and rate of employee turnover by age group, gender, and region.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA10	Average hours of training per year per employee by employee category.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA12	Percentage of employees receiving regular performance and career development reviews.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	AR: Pg 52-54	Sustainability Report: Employee Relations