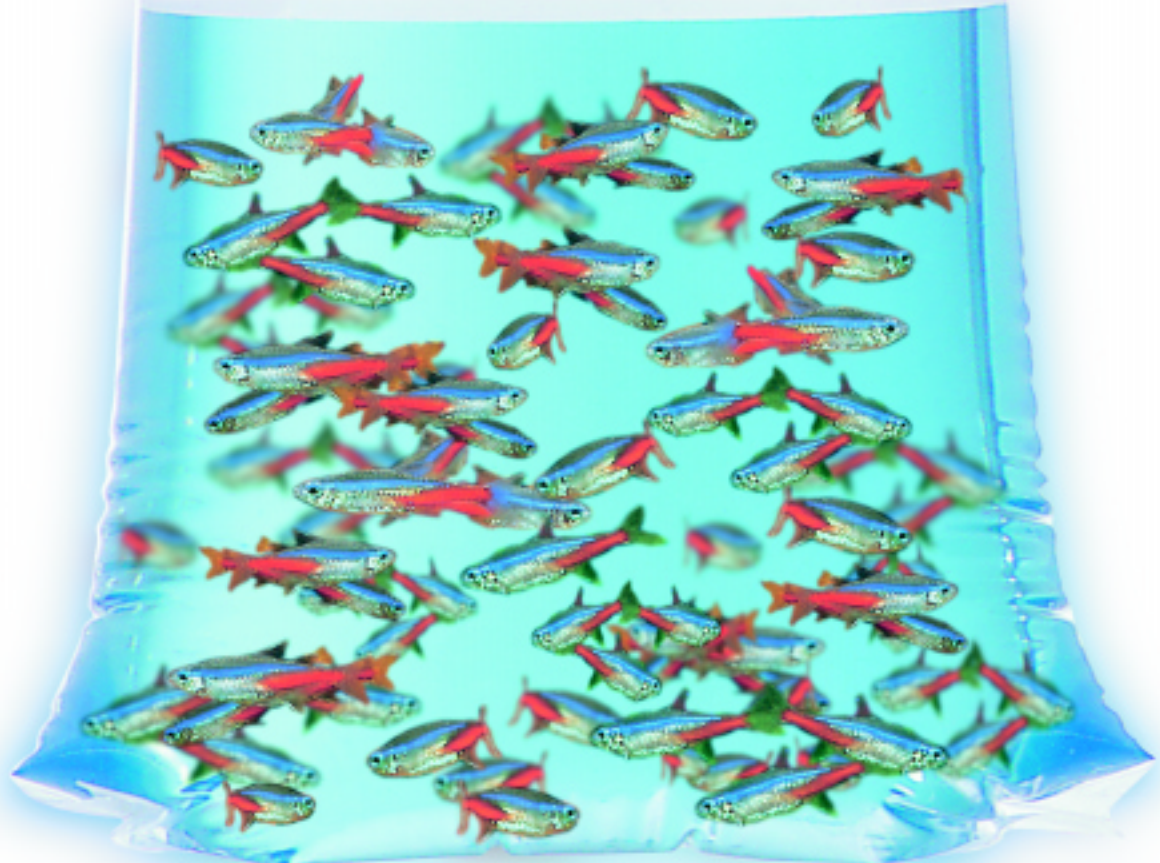




**QIAN HU CORPORATION LIMITED
ANNUAL REPORT 2000**



THE WORLD THROUGH THE EYES OF A FISH

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“The world is not merely an oyster, but a huge aquarium with shoals of opportunities.”

Kenny The Fish

“All that wriggles may not be a juicy worm, but a fish hook disguised. In life, there are no shortcuts...we must always embrace the virtues of hard work, creativity and excellence.”

Kenny The Fish



THE QIAN HU STORY

Life, whether in the aquarium, the vast expanse of the ocean, or the air-breathing world, sometimes offers shortcuts to success and happiness. The truth of the matter is, even for a fish, there are no shortcuts to achieving one's goals.

Even if success is meted out to you on a silver platter, in The Fish's case, tasty morsels on a steel hook, taking shortcuts in trying to outdo one another often comes with heavy, sometimes fatal, opportunity costs.

With regard to Qian Hu, our story is one of persistence, determination to succeed, and sticking to the path of time before we finally arrived at the centre of opportunity. We are always trying to find new ways to do the same things.

Our history can be traced back to the early days of my late father Yap Tik Huay and my uncle, Yap Hey Cha, who were pig farmers. In 1985, their pig farm was eradicated due to the Government's move to stem pollution and to free up more land for residential purposes.

At that point in time, my three elder brothers, Yap Peng Heng, Yap Hock Huat and Yap Kim Choon joined the family business. They converted the old pig pens into concrete ponds and started breeding guppies for the local tropical fish exporters. However, in 1989, during a heavy thunderstorm, our entire stock of guppies were washed away.

We had to start all over again. With a new name "Qian Hu", which means a thousand lakes in Chinese, my cousins Alvin, Andy and I joined Qian Hu and together hoped for brighter days to come.

Little did we realise that we were in for another setback. After our failure in rearing guppies, we thought that we would farm high-fin loaches instead although we knew very little about this particular variety of fish. In a single swoop, our entire stock of 4,000 loaches died and we lost almost everything, except our mettle and our drive to succeed. We realised our mistake of not spreading our risks, and not

knowing anything about our products. Since then, however, we learnt our lesson well. In fact, this lesson was so valuable to us that we kept the high-fin loach as our mascot, a daily reminder of where we were, and where we never want to be.

In 1990, we expanded into the local wholesale distribution business, and increased our range of ornamental fish to include Discus, Chichlid, Gourami and began diversifying into the aquarium accessories business. Two years later, in 1992, we started exporting to the rest of the world, a journey which helped position Singapore as a major player in the export of ornamental fish.

In 1993, we entered in a joint venture with The China Aquaculture Society and incorporated Beijing Qianyang Aquarium Co. Ltd, based in Beijing, to supply cold-water ornamental fish and aquarium accessories to Northern China. We acquired full ownership of the joint venture company two years later.

In 1995, a year after we moved to our present farm, located within the Sungei Tengah Agrotechnology Park, Qian Hu developed quality systems for our operations. This led to our achieving three ISO 9002 certifications for conditioning and packing of ornamental fish for export (1996); the trading, quarantine and breeding of Dragon Fish (1997), and the retail and wholesale of aquarium accessories and pet products (2000).

We also designed the landscape of our farm in such a way that runoffs from heavy rainfall would not affect our fish stock and breeding ponds. Our unique system of recycling water had won us the ISO 14001 certification for our environmental management system involving the import, export, conditioning, distributing and farming of tropical fish in 1998.

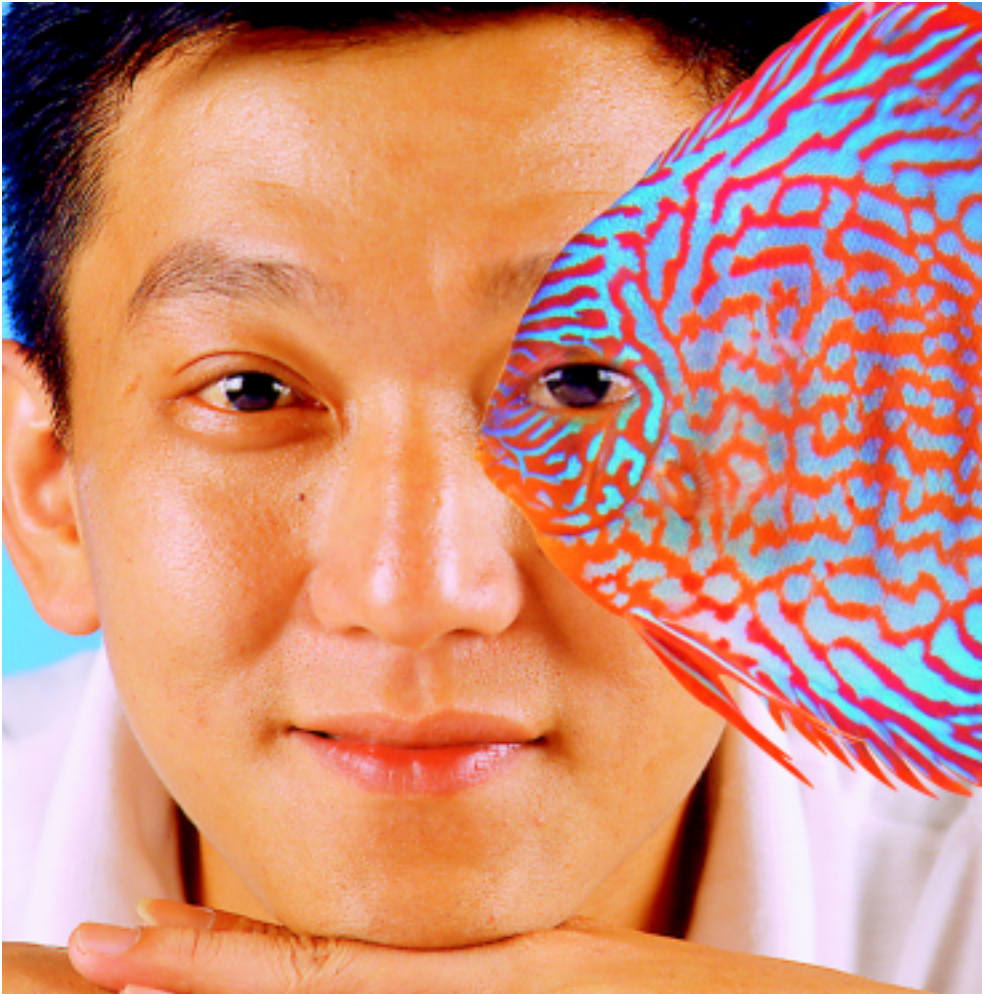
1997 was also an exciting year for Qian Hu. We developed our own auto-packing machines for the packing of ornamental fish, a project encouraged by the Agri-food and Veterinary Authority of Singapore (AVA), and partially funded by the EDB Innovative Development Scheme. During the same year, Qian Hu



The Yap Family

was also admitted to the Productivity and Standards Board's Promising Small and Medium Enterprises Programme which helped us to formulate and realise our strategic business plan for the Group.

Two years later, we began distributing aquarium and pet accessories to Malaysia, and subsequently to China and Thailand. We see much growth in this segment of our business as we believe that for every dollar spent on ornamental fish, five more dollars will be spent on accessories. As such, in 2001, we established a joint venture company, Wan Jiang Technology Co Ltd, in Guangzhou together with a Taiwanese partner. Wan Jiang will produce our own house brands of aquarium and pet accessories, as well as other third party brands. Initially, Wan Jiang's products will be distributed through our regional subsidiaries. However, our plans are to distribute them to Japan, Germany, United Kingdom and the rest of the world.



“Opportunities abound when we see the world through the eyes of a fish...we will continue to build our brand and grow the Company in Singapore and beyond.”

Kenny The Fish

CHAIRMAN'S MESSAGE

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the first annual statement and audited accounts of Qian Hu Corporation Limited as a listed entity.

With your strong support, the Company successfully completed its listing on 8 November 2000, and in the process, accorded Qian Hu the distinction of being the first company of its kind to list on the Singapore Exchange.

Funds raised from the initial public offer (IPO) are being channeled into various projects which we hope will sustain the growth of the Company in the years ahead.

These include the expansion of our distribution network in Malaysia, Thailand and China and the development of e-commerce capabilities within the Group. Some money were also earmarked for loan repayment while the balance was set aside for additional working capital.

Joining the fraternity of listed companies in Singapore has meant an immense sense of pride and achievement for me as well as for all the people who were involved in the success of the Group. To them, my thanks and appreciation.

To our new shareholders, I bid you a warm welcome to the Qian Hu family. We look forward to your continued support as we build the brand and grow the Company in Singapore and beyond.

Financial Review

Qian Hu has done better than expected in the year under review, with export sales growing at a healthy 30% compared with the industry's average growth rate of 6%.

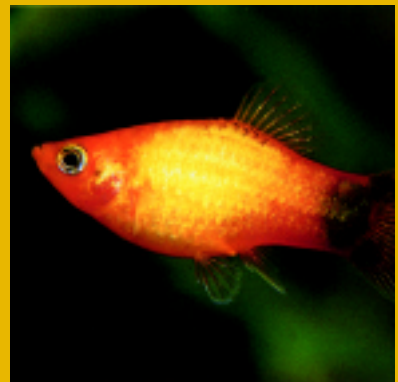
As a result, the Group was able to post a record net profit of \$3.2 million which comfortably exceeded the forecast net profit of \$3 million which we promised during the launch of our IPO in November.

Group turnover rose 34.8% to \$33.9 million, of which 49% came from the sale and export of ornamental fish, 35% from manufacturing and distribution of aquarium and pet accessories, and 16% from the manufacture of plastic bags.

During the year in review, 61% of the Group's turnover came from our operations in Singapore, whilst 39% were derived from overseas.

We have been busy developing new markets as well as expanding our existing channels of distribution. Globally, we currently export more than 500 species and varieties of ornamental fish to more than 50 countries, helping to place Singapore on the world map for exporting more than 30% of the world's output from a single country. We also distribute more than 5,000 types of aquarium accessories to hobbyists in Singapore, Southeast Asia and China.

At home base, we have increased the number of retail outlets, authorised by the Agri-food and Veterinary Authority of Singapore to sell the highly-prized Dragon Fish (Arowana) by 10, making it a total of 40 retail outlets.



We have put in place strategic plans to move the company forward. In the current financial year, we expect to see the Group's overseas subsidiaries expanding at a faster rate. Our joint venture in Guangzhou, Wan Jiang Technology Co Ltd, which we tied-up with a Taiwanese partner, has commenced production of our proprietary brands of aquarium and pet accessories under the "Ocean Free" brand name as well as a host of third-party brands.

We expect Wan Jiang, which initially will distribute its products to our regional subsidiaries, to widen its distribution network to include Japan, Germany, United Kingdom, and the rest of the world.

At our home base in Singapore, we will continue to build on the goodwill that we have garnered from our export and retail partners in the various distribution channels. Even our plastic manufacturing subsidiary, Tat Leng, which was initially set out to support our main export business, has made inroads in supplying high-grade plastic bags to the electronics, IT and food industries as well. Tat Leng is expected to increase its production capacity by 50% when its new Woodlands facility, which commences operations by March 2001, is fully-phased in by 2002.

With the expected positive contributions from the Group's overall manufacturing and distribution operations, we are confident of achieving sustainable growth in FY2001.

Achievements and Acknowledgements

We are proud of the achievements we have made over the years. These are due in no small measure to the support we get, and continue to get, from some of Singapore's leading institutions.

Despite our humble beginnings, having emerged from the backwaters of Singapore's agrarian industries, we have become sterling case studies for Productivity Standards Board's SME 21 blueprint, and National University of Singapore's best practices among local enterprises.

Qian Hu was among four companies in Singapore who received the inaugural International Management Action Award (IMAA) by the Institute of Management and Productivity & Standards Board on 8 November 2000, in recognition of our ability to innovate, create and produce sustainable and tangible results.

We were also among the three most transparent companies, out of a total of 268 listed companies in Singapore whose financial year ended in December, as shown in The Business Times' Corporate Transparency Index 2001. The CTI is a tool to measure how transparent a company is when it announces its



financial results by assessing the quality of information disclosed, and effectiveness of the company's communication to investors.

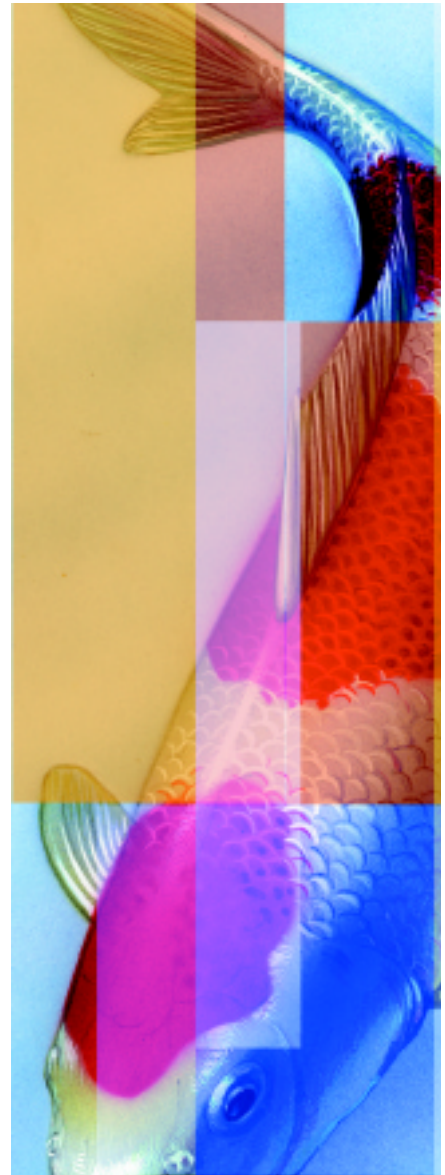
We would not have been where we are today without the support of our management and staff, our customers, our suppliers, business associates and fellow directors.

I am particularly gratified that in a recent employee survey, some 83% of our staff said that they were very happy with the Company. The importance of our staff to the success of the Group cannot be over-emphasised.

I would like to take this opportunity to thank all of them for their support in the past as well as in the years ahead.



Kenny Yap
Executive Chairman & Group Managing Director
a.k.a Kenny The Fish



BOARD OF DIRECTORS



Kenny Yap Kim Lee
Executive Chairman and Managing Director
Center

Alvin Yap Ah Seng
Deputy Managing Director
Far Left

Andy Yap Ah Siong
Deputy Managing Director
Left

Robson Lee Teck Leng
Independent Director
Right

Chang Weng Leong
Independent Director
Far Right

“In Qian Hu, whether you are a YAP or not doesn’t matter at all...what matters is that we are all part of the Qian Hu family, working together and respecting one another. We may have begun as a family business, but we have evolved into a professionally-managed, knowledge-based company that is committed to developing our people assets.”

Kenny The Fish

THE QIAN HU FAMILY

As a knowledge-based business, the role that our staff play in Qian Hu's performance in the global ornamental fish industry can never be over-emphasised.

We have therefore placed special emphasis on developing and motivating our people assets, providing them with the professional tools they need to succeed.

Through a structured planning process, the training needs of each staff is identified with the direct involvement of the respective departmental manager or supervisor. However, this process is not driven from the top, but through regular reviews and staff feedback, each programme is assessed for its relevance and effectiveness by each staff. This encourages our staff to be closely involved in his or her own development, ensuring the programme's effectiveness and success.

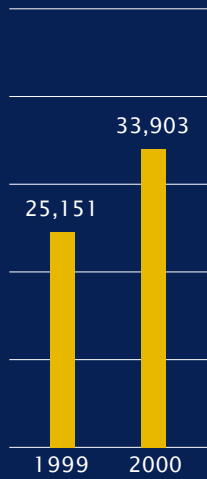
Another way we encourage communication is the annual performance appraisal when staff are given feedback on their strengths and areas for improvement. This is also a time when staff are encouraged to speak out and contribute work improvement ideas as we truly believe that creativity is a very important ingredient to our business success. To motivate our staff further, we have in place a variety of schemes to reward and recognise our staff.

Since 1999, we introduced an annual survey to allow our staff to assess the Company as well. In the Year 2000 survey, some 83% of the respondents expressed that they were very happy with the Company. This is yet another testimony that we are definitely on the right track! Indeed, the spirit of open communication and teamwork is a corporate culture that is uniquely Qian Hu's. It is a culture that encourages creativity, team work and a happy environment to work in.

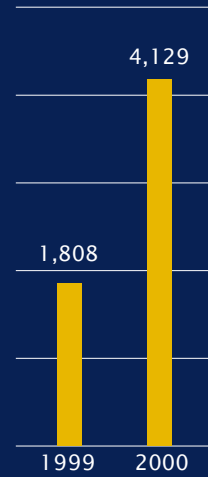


FINANCIAL HIGHLIGHTS

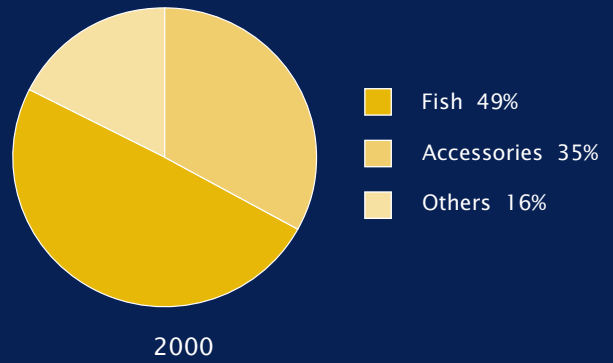
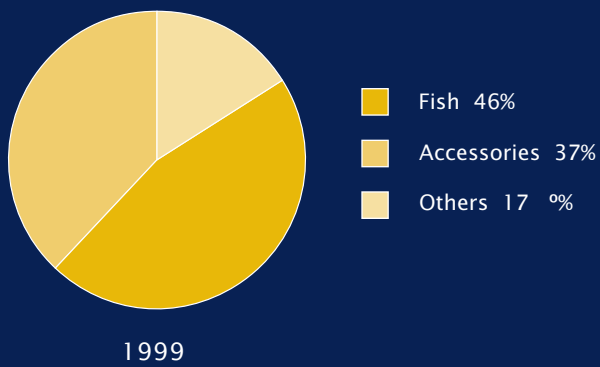
Turnover (\$'000)



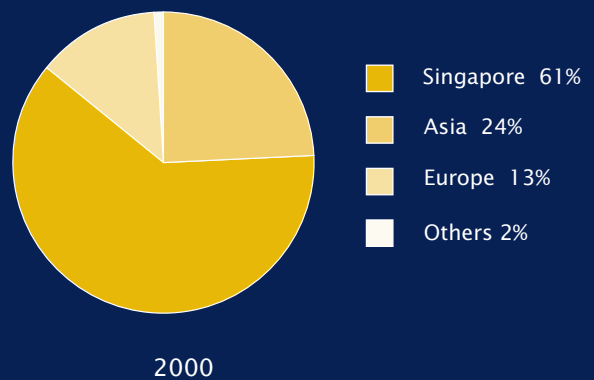
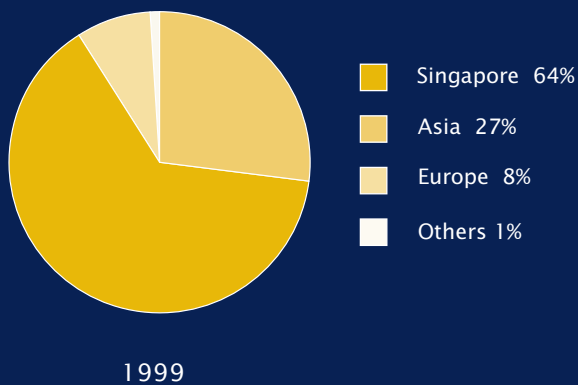
Profit before taxation (\$'000)



Turnover - Business Activities



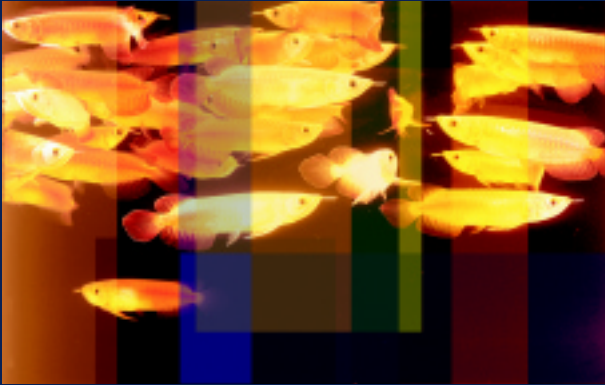
Turnover - Geographical



VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

(S\$'000)	2000	1999
Revenue earned	33,903	25,151
less: Purchase of goods	(24,690)	(19,614)
Gross value added from operations	9,213	5,537
Other operating income	495	205
Exchange gain	94	2
Share of profit (loss) of associated company	8	(7)
Total value added	9,810	5,737
Distribution:		
To employees in salaries and other related costs	4,422	2,747
To government in corporate and other taxes	1,042	505
To providers of capital:		
◆ Interest paid on borrowings from bank (net)	158	150
◆ Dividends to shareholders	312	0
Retained for re-investment and future growth		
◆ Depreciation and amortisation	948	827
◆ Accumulated profits	2,847	1,314
◆ Minority interest	(18)	0
Non-production cost and income:		
◆ Bad debts and provision for doubtful debts (net)	99	194
Total distribution	9,810	5,737

Production data	2000	1999
Number of employee	166	135
Value added per employee (\$'000)	59	42
Value added per \$ of employment cost	2.22	2.09
Value added per \$ sales	0.29	0.22
Value added per \$ of investment in fixed assets	1.05	0.82



“Focus is the secret of strength.”

Kenny The Fish

YEAR IN REVIEW

At Qian Hu, we have always been unwavering in our business focus. We recognise that doing too many things keeps one from doing our best. That is why we have chosen to stay focused on our core expertise of distributing and exporting ornamental fish, and its related activities, to the world's aquariums - whether it be the farming of ornamental fish, manufacturing and distributing aquarium and pet accessories, breeding highly-prized Dragon fish, or producing plastic bags for the packing of fish for export.

Listing on Singapore Exchange

For the past one year, we too have been very focused on preparing for our initial public offer in October 2000. We are glad that our hard work has finally paid off. The eighth day of November 2000 - the day Qian Hu Corporation Limited got listed on the Singapore Exchange - has been entered in the annals of Qian Hu as a sort of coming-of-age, and transformation of an agrarian, family-run business into a professionally-managed, export-driven agro-technology company. We were also doubly blessed to receive the International Management Action Award (IMAA) from the Institute of Management and the Productivity & Standards Board that same day.

Aquarium and Pet Accessories

While we are focused on developing new markets and expanding our existing distribution channels, we have made progress in expanding our manufacturing capabilities for aquarium and pet accessories. In 2001, we established a joint venture company, Wan Jiang Technology Co Ltd, in Guangzhou with a Taiwanese partner. Wan Jiang will produce our own house brands of aquarium and pet accessories as well as other third party brands. Initially, Wan Jiang will supply accessories to our regional subsidiaries. Its distribution network will be widened to include countries such as Japan, Germany, the United Kingdom and the rest of the world.

In the year under review, we expanded our distribution network for aquarium and pet accessories in Thailand through our 66%-owned subsidiary Qian Hu Marketing. Qian Hu Marketing is in the process of restructuring before a licence can be approved by the local authorities.

Breeding of Dragon Fish

In the second half of FY2000, we received the licence from the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) to sell Dragon Fish bred by our farm. Under CITES, we are only allowed to sell the second generation of Dragon Fish which takes about 4 years before it can reproduce. Commercial breeding of the endangered and highly-prized Dragon Fish requires specialised knowledge and techniques that we have acquired over the last five years. We are believed to be one of the first few farms in Singapore to have achieved this.

By the close of fiscal year 2000, Qian Hu has added another 10 retail outlets to our chain of 30 retail outlets authorised by the Agri-food and Veterinary Authority of Singapore (AVA) to sell Dragon Fish.

Expanding Production Capacity of Plastic Bags

Our plastic manufacturing subsidiary, Tat Leng, is in the midst of finalising its plans for the move to a new facility in Woodlands. Tat Leng was initially incorporated to support the demand for plastic bags from our core export business. However, its high-grade plastic bags have made inroads into the electronics, IT and food industries as well. When fully operational in 2002, Tat Leng will have increased its production capacity by 50%.



Ornamental Fish



Aquarium and Pet Accessories



Plastic Bags

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kenny Yap Kim Lee
(Executive Chairman and Managing Director)
Alvin Yap Ah Seng
Andy Yap Ah Siong
Robson Lee Teck Leng
Chang Weng Leong

COMPANY SECRETARY

Chia Yong Yong

AUDIT COMMITTEE

Robson Lee Teck Leng (Chairman)
Chang Weng Leong
Kenny Yap Kim Lee

REGISTERED OFFICE

133 New Bridge Road #11-09
Chinatown Point
Singapore 059413

SHARE REGISTRAR

M & C Service Private Limited
138 Robinson Road
#17-00 Hong Leong Centre
Singapore 068906

AUDITORS

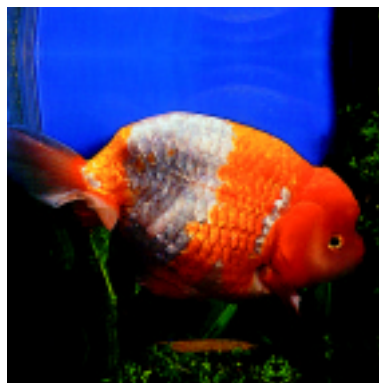
Arthur Andersen
10 Hoe Chiang Road
#18-00 Keppel Towers
Singapore 089315
Partner-in-charge: Steven Phan Swee Kim

PRINCIPAL BANKERS

The Development Bank of Singapore Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809

Overseas-Chinese Banking Corporation Limited
65 Chulia Street #29-02/04
OCBC Centre
Singapore 049513

GROUP STRUCTURE



CORPORATE GOVERNANCE

The directors and management are committed to high standards of corporate governance and embrace the best practices contained in the Best Practice Guide issued by the Singapore Exchange Securities Trading Limited.

The Board of Directors

The Board currently has 5 members consisting of 3 executive directors and 2 non-executive directors who are independent directors. The Board meets regularly throughout the year and amongst other matters, reviewed the financial management and performance of the Group including matters relating to corporate governance. The other responsibilities of the Board include the deliberation of the Group's overall business strategy, approval of major investments, review of the Group's financial policies and annual budget. To discharge its responsibilities effectively and efficiently, the Board has set up a number of committees to oversee specific task areas. These committees includes:-

The Executive Committee

The Executive Committee meets once a month to review the performance of the Company and its subsidiaries, to deliberate on corporate strategies, the Group's businesses and principal risks and to address important issues. It comprises 3 executive directors and is chaired by Kenny Yap Kim Lee.

The Audit Committee

The Audit Committee, comprises 2 independent directors and 1 executive director, is chaired by Robson Lee Teck Leng. The principal responsibility of the Audit Committee is to assist the Board of Directors in the identification and monitoring of areas

of significant financial and business risks. It reviews the compliance with the Listing Manual and the Best Practice Guide of the Singapore Exchange Securities Trading Limited and evaluates the adequacy and effectiveness of internal accounting controls and financial reporting controls. The Committee also reviews interested party transactions as well as the Company's procedures set up to monitor and report on all interested party transactions. Specific function of the Committee includes reviewing the scope of work of the external auditors and receiving and considering the external auditors' reports. The Group's annual consolidated financial statements and announcement were reviewed by the Committee before they are submitted to the Board of Directors for approval.

The Committee met 2 times after the Company was listed on 8 November 2000.

The Employees' Share Option Scheme Committee

The Employees' Share Option Scheme Committee comprises 1 executive and 2 non-executive directors and is chaired by Chang Weng Leong. The Committee administers the Employees' Share Option Scheme of the Company and deliberates on matters of eligibility as well as the number of options to be granted to each participant, in accordance with the terms and conditions of the Scheme.

Dealing in Securities

The Group has procedures in place on dealing in securities, whereby there should be no dealings in the Company's shares by its officers during the period commencing one month prior to the announcement

of the Company's half-year and full year results. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within permitted trading period.

Compliance with existing Best Practices Guide of the Singapore Exchange

The Board of Directors confirms that during the year ended 31 December 2000, the Company has complied with the corporate governance policies set out in the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited.

Corporate Governance for FY2001

In respect of the present financial year ending 31 December 2001, the Audit Committee is in the process of reviewing the consultation papers published by the various public and private-sector-led committees initiated by the Government, with the object of institutionalizing a culture of good corporate governance and best practices for the group during the present financial year. An institutionalized system and culture of good corporate governance is of paramount importance to attract both local and international institutional investors to invest in the Company's shares. Institutional and sophisticated investors place great importance on corporate governance when making investment decisions. The importance of good corporate governance and best practices to the Qian Hu group cannot be over-emphasised.

In particular, the Audit Committee will review and carefully study (i) the recommendations of the Final Report and Code of Corporate Governance, published

on 4 April 2001, (ii) the Consultation Paper on the Proposed Securities and Futures Act published on 21 March 2001 and (iii) the Consultation Paper on Disclosure and Accounting Standards published on 6 December 2000.

The guidelines and recommendations set out in these consultation papers will fundamentally form the benchmark standards and instructive principles for the Audit Committee to instill high standards of corporate governance, international transparency practices and timely disclosures in the following four broad aspects of the group's corporate management:-

- Appointment of Directors and Board Management
- Compensation and Remuneration Policies for Executive Directors and Senior Management Staff
- Accountability and Audit
- Communication with the Public and Shareholders

The Audit Committee is heartened by the Company's overall third position this year in the Corporate Transparency Index Rankings initiated and published by the Business Times in respect of the financial results disclosures of all public listed companies in Singapore. The Audit Committee has every intention, wherever possible, to comply with the spirit and the letter of the abovementioned consultation papers in its task to institutionalize and maintain the international discipline and standards of good corporate governance and best practices for the Qian Hu group.



OUR PUBLIC RESPONSIBILITIES

We are indebted to the environment without which we would not be able to draw valuable resource to conduct our business. The setbacks that we had experienced way back in our history has taught us the importance of protecting our environment. Since then, our operations and processes in our farm have been modified, minimising the environmental impact on our natural surroundings.

Since 1997, Qian Hu embarked on a programme to preserve our natural resources and minimise wastes by participating in the ISO 14000 Environmental Management System which is an international standard for managing the environment. A year later, we obtained another ISO 14001 certification, underscoring once again our commitment towards preserving the environment. Through these two programmes, we have an integrated system in place to manage our operations sensitively, and minimising the possible stress that our business can impose on the environment.

Besides our commitment to preserving our natural surroundings, we have been careful not to neglect our social responsibility as well. Our community forms an integral part of the environment that we operate in, and we encourage our staff to be good corporate citizens by actively participating in a number of fund raising activities such as:

- Annual fund raising projects for various societies, clubs, community centres
- Direct contributions to organisations such as Society for the Visually Handicapped, homes for the aged, and schools
- The SHARE programme



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