Corporate Governance Report

The Board of Directors and Management continue to be committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Singapore Code of Corporate Governance 2005 (the "Code") issued by the Ministry of Finance on 14 July 2005.

This report, set out in a tabular form, describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code. The Board is pleased to confirm that for the financial year ended 31 December 2007, the Company has generally adhered to the principles and guidelines as set out in the Code, except for Guideline 3.1 (Chairman and CEO should be separate persons), the reason for which deviation is explained below.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
1.1 The board's role is to: (a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives; (b) establish a framework of prudent and effective controls which enables risk to be assessed and managed; (c) review management performance; and (d) set the company's values and standards, and ensure that obligations to shareholders and others are understood and met.	The primary function of the Board is to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board roles are to: • guide the formulation of the Group's overall long-term strategic objectives and directions; • oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance; • ensure management discharges business leadership and management skills with the highest level of integrity; • approve major investment and divestment proposals, material acquisitions and disposals of assets, major corporate policies on key areas of operations, annual budget, the release of the Group's quarterly, half year and full year results and interested person transactions of a material nature; and • assume responsibility for corporate governance.

Guidelines of the Code		**Qian Hu Corporate Governance practices**
1.2	All directors must objectively take decisions in the interests of the company.	The Board of Directors is obliged to act in good faith and consider all times the interest of the Company.
1.3	If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation should be disclosed.	To assist in the execution of its responsibilities, the Board has delegated decisions on certain Board matters to specialized Board Committees. Minutes of the Board Committee meetings are available to all Board members. Please refer to Table 1 – Board and Board Committees.
1.4	The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association to provide for telephonic and videoconference meetings. The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's annual report.	The Articles of Association of the Company provide for directors to convene meetings by teleconferencing or videoconferencing. When a physical meeting Board meeting is not possible, timely communication with members of the Board can be achieved through electronic means. Please refer to Table 2 – Attendance at Board and Board Committee Meetings.
1.5	Companies should adopt internal guidelines setting forth matters that require board approval, and specify in their corporate governance disclosures the type of material transactions that require board approval under such guidelines.	The Company has adopted a set of Approving Authority & Limit, setting out the level of authorization required for specified transactions, including those that require Board approval.

Guidelines of the Code		Qian Hu Corporate Governance practices
1.6	Every director should receive appropriate training when he is first appointed to the Board. This should include an orientation program to ensure that incoming directors are familiar with the company's business and governance practices.	All new directors undergo comprehensive orientation and training programme to provide them with extensive background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations.
	It is equally important that directors should receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.	The Board as a whole is updated regularly on risks management, corporate governance and the key changes in the relevant regulatory requirements and financial reporting standards.
1.7	Upon appointment of each director, companies should provide a formal letter to the director, setting out the director's duties and obligations.	A formal letter is sent to newly-appointed directors upon their appointment explaining their statutory and other duties and responsibilities as directors.
1.8	The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.	The Company has an on-going training budget for all directors to receive further relevant training of their choice in connection with their duties. Relevant courses include programmes run by the Singapore Institute of Directors or other training institutions.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guidelines of the Code	Qian Hu Corporate Governance practices
2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	The Board comprises seven directors of which three are independent directors. Please refer to Table 1 – Board and Board Committee.
2.2 If the company wishes to consider the director as independent, in spite of the existence of one or more of these relationships as defined in the Code, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.	The independence of each Director is reviewed annually by the Nominating Committee ("NC") based on the guidelines set out in the Code. With three of the directors deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues.
2.3 The Board should, taking into account the scope and nature of the operations of the company, examine the size and determine an appropriate size for the Board, which facilitates effective decision making.	The Board considers its current board size and composition effectively serve the Company and the Group.
2.4 The Board should comprise directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.	The Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

Guidelines of the Code	Qian Hu Corporate Governance practices
2.5 Non-executive directors should: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	The independent directors communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and the remuneration of the Executive Directors.
2.6 Non-executive directors are encouraged to meet regularly without management present.	Where necessary, the Company co-ordinates informal meeting sessions for independent directors to meet without the presence of the Management.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Guidelines of the Code	Qian Hu Corporate Governance practices
3.1 The Chairman and chief executive officer ("CEO") should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and CEO should be clearly established, set out in writing and agreed by the Board. In addition, companies should disclose the relationship between the Chairman and CEO where they are related to each other.	The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. All major decisions made by the Executive Chairman and CEO are reviewed by the Audit Committee ("AC"). His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the Remuneration Committee ("RC"). As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Guidelines of the Code	Qian Hu Corporate Governance practices
3.2 The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role and set its agenda; (b) ensure that the directors receive accurate, timely and clear information; (c) ensure effective communication with shareholders; (d) encourage constructive relations between the Board and Management; (e) facilitate the effective contribution of non-executive directors in particular; (f) encourage constructive relations between executive directors and non-executive directors; and (g) promote high standards of corporate governance.	The Group's Executive Chairman and CEO, Mr Kenny Yap Kim Lee, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. In addition to the day-to-day running of the Group, he is to ensure that each member of the Board and the Management works well together with integrity and competency. As the Executive Chairman and CEO, he, with the assistance of the Company Secretaries, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness and timeliness of information flow between the Board, Management and shareholders of the Company. He encourages constructive relations between the Board and Management and between the executive directors and the independent directors. He also takes a leading role in ensuring the Company's compliance with corporate governance guidelines.
3.3 Companies may appoint an independent non-executive director to be the lead independent director where the Chairman and the CEO is the same person, where the Chairman and the CEO are related by close family ties, or where the Chairman and the CEO are both part of the executive management team.	The Board appointed Mr Robson Lee Teck Lee as the lead independent director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board.

Board Membership

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

Guidelines of the Code	Qian Hu Corporate Governance practices
4.1 Companies should: (a) establish a Nominating Committee ("NC") comprising at least three directors, a majority of whom, including the Chairman, should be independent of any substantial shareholders; and (b) disclose the membership in the annual report The NC should have written terms of reference that describe the responsibilities of its members.	The Board established the NC in July 2002 which consists of three independent directors. The NC Chairman is not associated in any way with the substantial shareholders of the Company. The responsibilities of the NC are described in its written terms of reference. Please refer to Table 1 – Board and Board Committee – on the composition of the NC.
4.2 The NC should be charged with the responsibility of re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.	The role of the NC includes responsibility for re-nomination of directors who retire by rotation. All directors, including the CEO, submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's Articles of Association, one-third of the Board of directors are to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). In addition, Article 88 of the Company's Article of Association provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every three years.

Guidelines of the Code		Qian Hu Corporate Governance practices
4.3	The NC is charged with the responsibility of determining annually if a director is independent, bearing in mind the circumstances set forth in Guideline 2.1 and any other salient factors. If the NC determines that a director who has one or more of the relationships mentioned therein can be considered independent, the company should make such disclosure as stated in Guideline 2.2.	The NC conducts an annual review of directors' independence and is of the view that Mr Tan Tow Ee, Mr Robson Lee Teck Leng and Mr Chang Weng Leong are independent and that, no individual or small group of individual dominates the Board's decision-making process.
4.4	The NC should decide if a director who has multiple board representations is able to and has been adequately carrying out his/her duties as a director of the company. Internal guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards.	The NC has reviewed and is satisfied that Mr Robson Lee Teck Leng and Ms Lai Chin Yee, who sit on multiple boards, have been able to devote adequate time and attention to the affairs of the Company to fulfill his duties as director of the Company, in addition to their multiple board appointments.
4.5	A description of the process for the selection and appointment of new directors to the Board, including the search and nomination process, should be disclosed.	The NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointments of new directors. The NC then nominates the most suitable candidate who is only appointed to the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
4.6 The following information regarding directors, should be disclosed in the annual report of the Company: • academic and professional qualifications; • shareholding in the company and its subsidiaries; • board committees served on (as a member or Chairman), date of first appointment and last-election as a director; • directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments; • indicate which directors are executive, non-executive or considered by the NC to be independent; and The names of the directors submitted for election or re-election should also be accompanied by such details and information to enable shareholders to make informed decisions.	The profiles of the directors are set out on page 19 of this Annual Report. Please refer to Table 3 – Date of Directors' initial appointment & last re-election and their directorships. Except as disclosed in Table 3, there were no other directorships or chairmanships held by the directors over the preceding three years in other listed companies.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

Guidelines of the Code		Qian Hu Corporate Governance practices
5.1	Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. This assessment process should be disclosed in the annual report.	The NC has established review process to assess the performance and effectiveness of the Board as a whole as well as to access the contribution of individual directors. The Board, through the NC, has used its best effort to ensure that directors appointed to the Board, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.
5.2	The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long term shareholders' value.	Reviews of the Board performance, as appropriate, are undertaken collectively by the Board annually and informally on a continual basis by the NC with inputs from the Board members.
5.3	Performance evaluation should also consider the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers.	Please refer to Guideline 5.5 below.

Guidelines of the Code		Qian Hu Corporate Governance practices
5.4	Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties). The Chairman should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors, in consultation with the NC.	Please refer to Guideline 5.1 above. Replacement of directors, when it happens, does not reflect their contributions to date, but may be driven by the need to align the Board with the medium or long term needs of the Group.
5.5	Other performance criteria that may be used include return on assets ("ROA"), return on equity ("ROE"), return on investment ("ROI") and economic value added ("EVA") over a longer-term period.	The Board has taken the view that financial indicators, as set out in the Code as a guide for the evaluation of the Board and its directors, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to directors.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Guidelines of the Code	Qian Hu Corporate Governance practices
6.1 Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his or her duties properly. Hence, the Board should have separate and independent access to the company's senior management.	All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with detailed information concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management. As a general rule, detailed Board papers prepared for each meeting are normally circulated five days in advance of each meeting. However, sensitive matters maybe tabled at the meeting itself or discussed without papers being distributed. The Board papers include sufficient background explanatory information from the Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Such explanatory information may also be in the form of briefings to the directors or formal presentations made by senior management staff in attendance at Board meetings, or by external consultants engaged on specific projects. The Board has separate and independent access to the Company Secretaries and to other senior management executives of the Company and of the Group at all times in carrying out their duties.

Guidelines of the Code		Qian Hu Corporate Governance practices
6.2	Information provided should include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	The Board receives monthly management financial statements, annual budgets and explanation on forecasts variances to enable them to exercise oversight over the Group's operational and financial performance.
6.3	Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.	Complied. The Company Secretaries attend all Board meetings and meetings of the Board committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with.
6.4	The appointment and the removal of the company secretary should be a matter for the Board as a whole.	Complied.
6.5	The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.	Where the directors, whether individually or as a group, require independent professional advice in furtherance their duties, the Company Secretaries will appoint a professional advisor to render the advice and keep the Board informed of such advice, with cost to be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Guidelines of the Code	Qian Hu Corporate Governance practices
7.1 The Board should set up a Remuneration Committee ("RC") comprising entirely of non-executive directors, the majority of whom, including the Chairman, should be independent, to minimize the risk of any potential conflict of interest.	The Board established the RC in July 2002 which consists of three independent directors. Please refer to Table 1 – Board and Board Committee – on the composition of the RC.
7.2 The RC will recommend to the Board a framework of remuneration and the specific remuneration packages for each director and the CEO (or executive of equivalent rank) if the CEO is not a director. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind. The RC will also review the remuneration of senior management.	The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management. It reviews the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progressive policies. The RC recommends to the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind and specific remuneration packages for each director. No director is involved in deciding his own remuneration.
7.3 The RC should seek expert advice inside and/or outside the company on remuneration of all directors.	The RC has access to expert advice in the field of executive compensation outside the Company where required.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

	Guidelines of the Code	Qian Hu Corporate Governance practices
8.1	The performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing executive directors' performance.	The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the executive directors and senior management is commensurate with the Company's and their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key executives) is reviewed periodically by the RC and the Board.
8.2	The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors and should not be over-compensated to the extent that their independence may be compromised.	The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent; responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.
8.3	There should be a fixed appointment period for all executive directors in their service contract which should not be excessively long or with onerous removal clauses.	The remuneration for the executive directors comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. Service contracts, if any, for executive directors, are for a fixed appointment period and do not contain onerous removal clauses.

Guidelines of the Code		Qian Hu Corporate Governance practices
8.4	The RC should encourage long-term incentive schemes and review whether directors are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year. Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.	The RC administers the Qian Hu Post-IPO Employees' Share Option Scheme (the "ESOS") which was implemented on 8 November 2000 as a share incentive scheme. None of the directors and the controlling shareholders of the Company are entitled to participate in the ESOS. Details of the ESOS are set out on pages 86 to 88 of this Annual Report.
8.5	The company should be aware of pay and employment conditions within the industry and in comparable companies when setting remuneration packages.	In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.
8.6	Notice periods in service contracts should be set at a period of six months or less.	All executive directors have in their service contracts notice period of six months or less.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Guidelines of the Code		Qian Hu Corporate Governance practices
9.1	The company should report to the shareholders each year on the remuneration of directors and at least the top 5 key executives (who are not also directors) of the company.	Please refer to Table 4 – Remuneration of Directors and key executives
9.2	The report should set out the names of directors and at least the top 5 key executives (who are not also directors) earning remuneration which falls within bands of S$250,000. Companies are however encouraged, as best practice, to fully disclose the remuneration of each individual director.	Please refer to Table 4.
9.3	The annual report should disclose, on a no-name basis with clear indication of which director or the CEO the employee is related to, the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceed S$150,000 during the year.	Please refer to Table 4.
9.4	The annual report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies.	Details of the ESOS are set out on pages 86 to 88 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Accountability

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

Guidelines of the Code	Qian Hu Corporate Governance practices
10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	The board provides shareholders with quarterly and annual financial reports within 30 days of the quarter end and within 15 days of the financial year end respectively. In presenting the annual financial statements and quarterly announcements to shareholders promptly, it is the aim of the Board to provide the shareholders with detailed analysis and a balanced and understandable assessment of the company's performance, position and prospects.
10.2 Management should provide all members of the Board with management accounts which present a balanced and understandable assessment of the company's performance, position and prospects on a monthly basis.	The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. On a monthly basis, Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Guidelines of the Code	Qian Hu Corporate Governance practices
11.1 The AC should comprise at least three directors, all non-executive, the majority of whom, including the Chairman, should be independent.	The Board established the AC in October 2000 which consists of three independent directors. Please refer to Table 1 – Board and Board Committee – on the composition of the AC.

Guidelines of the Code	Qian Hu Corporate Governance practices
11.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.	The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.
11.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.	The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any executive director or executive officer to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.
11.4 The duties of the AC should include: (a) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;	The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seek to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.
(b) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;	The AC meets on a quarterly basis to review the quarterly and audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval.
(c) reviewing the adequacy of the company's internal controls;	The AC evaluates the adequacy of the internal control systems of the Company through discussion with Management and its auditors.

Guidelines of the Code	Qian Hu Corporate Governance practices
11.4 The duties of the AC should include: (Cont'd) (d) reviewing the effectiveness of the company's internal audit function; and	The AC discusses with the Management the significant internal audit observations, together with the management's responses and actions to correct any deficiencies. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.
(e) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.	The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.
11.5 The AC should meet with the external auditors, and with the internal auditors, without the presence of the company's Management, at least annually.	The AC meets with the internal auditors and the external auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.
11.6 The AC should review the independence of the external auditors annually.	There was no non-audit related work carried out by the external auditors during the current financial year. The AC is satisfied with their independence.
11.7 The AC should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.	The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to Mr Chang Weng Leong, Chairman of the RC. Details of the whistle-blowing policies and arrangements have been made available to all employees.

Guidelines of the Code	Qian Hu Corporate Governance practices
11.8 The Board should disclose the names of the members of the AC and details of the Committee's activities in the company's annual report.	Please refer to Table 1 – Board and Board Committee – on names of the members of the AC. The AC meets regularly with the Management and the external auditors to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. The AC also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses accounting implications of major transactions including significant financial reporting issues.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.1 The AC should, with the assistance of internal and/or public accountants, review the adequacy of the company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management at least annually.	The external and internal auditors conduct annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Any material non-compliance and recommendation for improvement are reported to the AC. The AC, on behalf of the Board, also reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting the operations. Based on the reports submitted by the external and internal auditors and the various controls put in place by the Management, the AC is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.2 The Board should comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the company's annual report.	The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle. Having identified the risks to the achievement of their strategic objectives, each business is required to document the mitigating actions in place and proposed in respect of each significant risk. The approach to risk management and internal controls are set out in the "Operating and Financial Review" section on pages 40 and 41 of this Annual Report.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

Guidelines of the Code	Qian Hu Corporate Governance practices
13.1 The Internal Auditor's ("IA") primary line of reporting should be to the Chairman of the AC although the Internal Auditor would also report administratively to the CEO.	The internal audit function is out-sourced to a certified public accounting firm. The internal auditors report primarily to the Chairman of the Audit Committee
13.2 The IA should meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	The internal auditor is a member of the Singapore branch of the Institute of Internal Auditors ("IIA"), which has its headquarters in the United States. The audit work carried out is guided by the Standards for the Professional Practice of Internal Auditing set by the IIA.
13.3 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.	The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal control systems and procedures are monitored by the Management and the internal audit function is out-sourced to a certified public accounting firm.
13.4 The AC should, at least annually, ensure the adequacy of the internal audit function.	The internal auditors plan its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The Audit Committee reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of the improvements required on internal control weaknesses identified.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Guidelines of the Code	Qian Hu Corporate Governance practices
14.1 Companies should regularly convey pertinent information, gather views or inputs, and address shareholders' concerns. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	The Company has adopted quarterly results reporting since 2001. In line with the continuous disclosure obligations of the Company pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Board's policy is that all shareholders should be informed in a comprehensive manner all material developments that impact the Group through SGXNET and press releases on an immediate basis.
14.2 Companies should disclose information on a timely basis. Where there is inadvertent disclosure made to a selected group, companies should make the same disclosure publicly to all others as soon as practicable. This could be through the use of modern technology such as Internet websites.	All material information on the performance and development of the Group and of the Company is disclosed in a timely manner. The Company does not practice selective disclosure of material information. All materials on the quarterly and year end financial results and the webcasts of the half-year and full-year results briefing for analysts and media are available on the Company's website – www.qianhu.com

Greater Shareholder Participation

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guidelines of the Code		Qian Hu Corporate Governance practices
15.1	Shareholders should have the opportunity to participate effectively and to vote in AGMs. They should be allowed to vote in person or in absentia. Companies are encouraged to make the appropriate provisions in their Articles of Association to allow for absentia voting methods such as by mail, email, fax, etc, if the shareholders so consent.	The Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.
15.2	There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", companies should explain the reasons and material implications.	All the resolutions at the AGM are single item resolutions.
15.3	The chairpersons of the Audit, Nomination and Remuneration committees should be present and available to address questions at general meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.	The Chairmen of the Executive, Audit, Remuneration and Nominating Committees are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees. The Company's external auditors are also invited to attend the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

Guidelines of the Code	Qian Hu Corporate Governance practices
15.4 Companies are encouraged to amend their Articles of Association to avoid imposing a limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend AGMs as proxies.	We do not have a specific limit in our Articles of Association on the number of proxy votes for nominee companies. However, there is a limit for the number of proxies for all shareholders to two.
15.5 Companies are encouraged to prepare minutes or notes of general meetings, which include substantial comments or queries from shareholders and responses from the Board and management, and to make these minutes or notes available to shareholders upon their requests.	The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues and ask the directors or the Management questions regarding the Company and its operations. For the past five years AGM, the Board has developed several channels, such as the Group's website, an automated hotline, email or fax, for the shareholders, who are not able to attend the AGM, to contribute their feedback and inputs. Questions received are answered during the AGM and detailed AGM minutes are posted onto both the SGX and the Company's website after the meeting.

DEALING IN SECURITIES

The Group has adopted an internal code which prohibits the directors and executives of the Group from dealing in the Company's shares during the periods commencing one month prior to the announcement of the Group's quarterly, half-yearly and full year results and ending on the date of the announcement of the results, or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

INTERESTED PERSONS TRANSACTIONS

Disclosure of interested persons transactions is set out on page 157 of this Annual Report. When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:

- The Board meets quarterly to review if the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9.

- The Audit Committee also meets once every three months to review if the Company will be entering into an interested person transaction, and if so, the Audit Committee ensures that the relevant rules under Chapter 9 are complied with.

TABLE 1 – BOARD AND BOARD COMMITTEES

Name of director	Board Membership	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Kenny Yap Kim Lee	Executive/Non-independent	Chairman	–	–	–
Alvin Yap Ah Seng	Executive/Non-independent	Member	–	–	–
Andy Yap Ah Siong	Executive/Non-independent	Member	–	–	–
Lai Chin Yee	Executive/Non-independent	Member	–	–	–
Robson Lee Teck Leng	Non-executive/independent	–	Chairman	Member	Member
Chang Weng Leong	Non-executive/independent	–	Member	Member	Chairman
Tan Tow Ee	Non-executive/independent	–	Member	Chairman	Member

TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name of director	Board	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	4	12	4	2	2
Number of meetings attended:					
Kenny Yap Kim Lee	4	12	4*	1*	1*
Alvin Yap Ah Seng	3	12	3*	–	–
Andy Yap Ah Siong	4	11	4*	–	–
Lai Chin Yee	4	12	4*	1*	1*
Robson Lee Teck Leng	3	–	3	1	1
Chang Weng Leong	3	–	3	2	2
Tan Tow Ee	4	–	4	2	2

* By invitation

TABLE 3 – DATE OF DIRECTOR'S INITIAL APPOINTMENT & LAST RE-ELECTION AND THEIR DIRECTORSHIPS

Name of director	Age	Date of initial appointment	Date of last re-election	Directorships in listed companies
Kenny Yap Kim Lee	42	12 December 1998	10 March 2006	Qian Hu Corporation Limited
Alvin Yap Ah Seng	42	12 December 1998	19 March 2007	Qian Hu Corporation Limited
Andy Yap Ah Siong	41	12 December 1998	19 March 2007	Qian Hu Corporation Limited
Lai Chin Yee	42	1 November 2004	18 March 2005	Qian Hu Corporation Limited China Sports International Limited *(appointed on 4 June 2007)*
Robson Lee Teck Leng	39	18 October 2000	18 March 2005	Qian Hu Corporation Limited Sim Lian Group Limited *(appointed on 18 September 2002)* Serial System Limited *(appointed on 30 December 2002)* Youcan Foods International Ltd *(appointed on 30 September 2004)* Best World International Limited *(appointed on 15 March 2005)* Man Wah Holdings Limited *(appointed on 26 April 2005)* Matex International Limited *(appointed on 25 April 2006)* China Energy Limited *(appointed on 27 October 2006)*
Chang Weng Leong	45	18 October 2000	18 March 2005	Qian Hu Corporation Limited
Tan Tow Ee	45	1 May 2002	10 March 2006	Qian Hu Corporation Limited

According to Article 89 of the Company's Articles of Association, Ms Lai Chin Yee, Mr Robson Lee Teck Leng and Mr Chang Weng Leong will retire at the Company's forthcoming AGM and be eligible for re-election.

The shareholdings of the individual directors of the Company are set out on pages 84 and 85 of this Annual Report. None of the directors hold shares of the subsidiaries of the Company.

TABLE 4 – REMUNERATION OF DIRECTORS AND KEY EXECUTIVES

The breakdown of remuneration of the Directors of the Company for the year ended 31 December 2007 is set out below:

Name of director	Basic/Fixed salary* $	Bonus** $	Directors' fess $	Total $
Kenny Yap Kim Lee	223,428	60,000	–	283,428
Alvin Yap Ah Seng	199,428	60,000	–	259,428
Andy Yap Ah Siong	199,428	60,000	–	259,428
Lai Chin Yee	190,428	56,638	–	247,066
Robson Lee Teck Leng	–	–	15,000	15,000
Chang Weng Leong	–	–	15,000	15,000
Tan Tow Ee	–	–	15,000	15,000
	812,712	236,638	45,000	1,094,350

* The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contributions.

**None of the directors of the Company are entitled to participate in the Employees' Share Option Scheme (ESOS).

Total remuneration paid to the top 10 executives of the Group (who are not directors) for the year ended 31 December 2007 is set out below:

Name of key executives	Total Remuneration* $'000
Yap Kim Choon	206
Yap Hock Huat	148
Yap Ping Heng	110
Yap Kim Chuan	107
Jimmy Tan Boon Kim	161
Low Eng Hua	156
Lee Kim Hwat	143
Goh Siak Ngan	237
Bob Goh Ngian Boon	101
Raymond Yip Chee Weng	119

* Remuneration amounts are inclusive of salary, bonus, allowances and Central Provident Fund contributions.
There was no share options granted to employees during the financial year.

Mr Yap Ping Heng, Mr Yap Hock Huat, Mr Yap Kim Choon and Mr Yap Kim Chuan are brothers of Mr Kenny Yap Kim Lee, CEO. They are also cousins of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the executive directors.

Financial Statements

Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2007.

Directors

The directors in office at the date of this report are as follows:

Kenny Yap Kim Lee
Alvin Yap Ah Seng
Andy Yap Ah Siong
Lai Chin Yee
Robson Lee Teck Leng
Chang Weng Leong
Tan Tow Ee

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings in the name of the director			Holdings in which the director is deemed to have an interest		
	1/1/2007	**31/12/2007**	**11/1/2008**	**1/1/2007**	**31/12/2007**	**11/1/2008**
The Company						
Ordinary shares						
Kenny Yap Kim Lee	5,637,126	17,000,000	17,000,000	–	–	–
Alvin Yap Ah Seng	6,229,872	18,700,000	18,700,000	39,600	–	–
Andy Yap Ah Siong	6,229,872	18,700,000	18,700,000	178,200	–	–
Lai Chin Yee	80,400	241,200	241,200	–	–	–
Robson Lee Teck Leng	6,600	6,600	6,600	–	–	–
Chang Weng Leong	39,600	118,800	118,800	–	–	–
Tan Tow Ee	10,000	30,000	30,000	120,000	360,000	360,000

Directors' interests (Cont'd)

	Holdings in the name of the director			Holdings in which the director is deemed to have an interest		
	1/1/2007	**31/12/2007**	**11/1/2008**	**1/1/2007**	**31/12/2007**	**11/1/2008**
The Company						
Warrants						
Kenny Yap Kim Lee	–	2,700,000	2,700,000	–	–	–
Alvin Yap Ah Seng	–	3,104,552	3,104,552	–	–	–
Andy Yap Ah Siong	–	3,104,552	3,104,552	–	–	–
Lai Chin Yee	–	80,200	80,200	–	–	–
Chang Weng Leong	–	19,800	19,800	–	–	–
Tan Tow Ee	–	805,000	805,000	–	–	–

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

The Singapore Exchange Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interests of each director of the Company in the share capital of the Company. As the Directors' Report of the Company is dated 14 January 2008, the Company is unable to comply with the 21 days' requirement. However, for the purpose of best practice, the Company has disclosed the direct and deemed interests of each director of the Company at the last business trading day before the date of the Directors' Report.

Except as disclosed under the "Share Options and Warrants" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 21 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options and Warrants

Share options

The Qian Hu Post-IPO Employees’ Share Option Scheme (the “Post-IPO Scheme”) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 9 October 2000 to enable eligible employees of the Group, other than directors and controlling shareholders of the Company including their associates, to participate in the equity of the Company.

The Scheme is administered by the Post-IPO Committee, consisting of non-executive directors of the Company as follows:

(i) Chang Weng Leong
(ii) Robson Lee Teck Leng
(iii) Tan Tow Ee

At an Extraordinary General Meeting held on 19 February 2002, the following modifications to the Post-IPO Scheme were approved by the shareholders of the Company:

(a) The Post-IPO Scheme will be extended to include the participation of associates of controlling shareholders. Such associates must be confirmed full-time employees.

(b) The exercise price of the Post-IPO options will be set at a discount of 20% to the prevailing market price of the shares. The associates of controlling shareholders will be entitled to the same rate of discount to the market price of the shares as other employees who are selected by the Committee to receive discounted options.

Size of Plan

The total number of new shares over which options may be granted pursuant to the Post-IPO Scheme shall not exceed 10% of the issued share capital of the Company on the day immediately preceding the offer date of the options (“Offer Date”).

Grant of Option

Options may be granted from time to time during the period when the Post-IPO Scheme is in force, except that options shall only be granted on or after the third market day on which an announcement on any matter involving unpublishing price sensitive information is released.

Share options (Cont'd)

Acceptance of Option

The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of $1.

Exercise period

The exercise period of an option granted at a discount of 20% to the prevailing market price of the shares commences after two years from the Offer Date.

Details of options granted to associates of the Company's controlling shareholders under the Post-IPO Scheme are as follows:

Name of participant	**Options granted during financial year ended 31/12/2007**	**Aggregate options granted since commencement of Scheme to 31/12/2007**	**Aggregate options exercised since commencement of Scheme to 31/12/2007**	**Aggregate options outstanding as at 31/12/2007**
Yap Ai Tin	–	40,000	(40,000)	–
Yap Saw Chin	–	40,000	(40,000)	–
Yap Ai Choo	–	40,000	(40,000)	–
Tan Ah Moi	–	20,000	(20,000)	–
Ng Ah Pun	–	10,000	(10,000)	–
Lim Lee Seng	–	10,000	(10,000)	–
	–	160,000	(160,000)	–

In respect of options granted to employees of related corporations, no options were granted during the financial year and a total of 425,000 options were granted from the commencement of the Post-IPO Scheme to the end of the financial year, of which 150,000 options were cancelled due to resignation of employees.

Options Granted

No participant has received 5% or more of the total number of options available under the Post-IPO Scheme. There were no options granted under the Post-IPO Scheme during the financial year.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

Share options (Cont'd)

Issue of Shares Under Options

During the financial year, 1,059,000 shares were issued pursuant to the exercise of the Post-IPO options.

Unissued Shares Under Options

At the end of the financial year, there were no unissued ordinary shares of the Company under the Post-IPO Scheme. The movements of share options outstanding are disclosed in note 16 to the financial statements.

Warrants

During the financial year, the Company issued 64,965,868 detachable warrants in connection with the issuance of rights shares.

At the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follow:

Date of issue	Warrants outstanding at 1/1/2007	Warrants issued	Warrants exercised	Warrants expired	Warrants outstanding at 31/12/2007	Date of expiration
25/9/2007	–	64,965,868	(22,115,477)	–	42,850,391	19/9/2010

Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of $0.035 per share. The warrants do not entitle the holders of the warrants, by virtual of such holdings, to any rights to participate in any share issue of any other company. During the financial year, the Company issued 22,115,477 shares pursuant to the exercise of warrants as disclosed above.

As at the end of the financial year, except as reported above, no other options or warrants to take up unissued shares of the Company or its subsidiaries were granted and no shares were issued by virtue of the exercise of options or warrants to take up unissued shares of the Company or its subsidiaries. Except for the abovementioned outstanding warrants, there were no other options to take up unissued shares of the Company or its subsidiaries were outstanding as at the end of the financial year.

Audit committee

The members of the Audit Committee during the financial year and at the date of this report are:

- Robson Lee Teck Leng (Chairman), non-executive director
- Chang Weng Leong, non-executive director
- Tan Tow Ee, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

14 January 2008

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 94 to 172 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results and changes in equity of the Group and the Company, of the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act. Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

14 January 2008

Independent Auditors’ Report

Members of the Company Qian Hu Corporation Limited

We have audited the accompanying financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2007, the income statements and statements of changes in equity of the Group and the Company, and the cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 94 to 172. The financial statements for the year ended 31 December 2006 were audited by another firm of auditors whose report dated 15 January 2007 expressed an unqualified opinion on those financial statements.

Directors’ responsibility for the financial statements

The Company’s directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet, income statement and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG
Certified Public Accountants

Singapore
14 January 2008

Balance Sheets

As at 31 December 2007

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Non-current assets			*Restated*		
Property, plant and equipment	3	12,438,592	11,490,339	2,653,895	2,809,722
Brooder stocks	4	21,365,162	15,279,911	1,225,980	1,255,170
Intangible assets	5	2,139,436	2,140,009	173,816	174,389
Subsidiaries	6	–	–	11,152,586	11,152,586
Associate	7	836,467	–	812,600	–
Quoted equity investment		–	3,597	–	–
		36,779,657	28,913,856	16,018,877	15,391,867
Current assets					
Breeder stocks	4	1,420,870	1,721,800	245,800	245,800
Inventories	8	22,008,603	21,647,322	6,715,116	5,919,631
Trade and other receivables	9	21,097,803	17,664,874	28,620,642	26,944,954
Cash and cash equivalents	10	7,516,426	5,640,898	4,767,988	3,700,878
		52,043,702	46,674,894	40,349,546	36,811,263
Total assets		88,823,359	75,588,750	56,368,423	52,203,130

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Equity attributable to equity holders of the Company					
Share capital	11	29,295,961	18,997,444	29,295,961	18,997,444
Reserves	12	18,701,650	23,489,347	10,859,010	18,042,095
		47,997,611	42,486,791	40,154,971	37,039,539
Minority interests		7,635,185	6,264,461	–	–
Total equity		55,632,796	48,751,252	40,154,971	37,039,539
Non-current liabilities					
Financial liabilities	13	1,877,553	790,144	73,537	48,150
Deferred tax liabilities	14	2,939,245	2,453,720	135,000	235,000
		4,816,798	3,243,864	208,537	283,150
Current liabilities					
Trade and other payables	15	13,007,597	10,901,021	7,034,653	6,952,279
Financial liabilities	13	14,591,075	12,048,875	8,500,987	7,568,075
Current tax payable		775,093	643,738	469,275	360,087
		28,373,765	23,593,634	16,004,915	14,880,441
Total liabilities		33,190,563	26,837,498	16,213,452	15,163,591
Total equity and liabilities		88,823,359	75,588,750	56,368,423	52,203,130

This accompanying notes form an integral part of the financial statements.

Income Statements

Year ended 31 December 2007

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Revenue	17	91,720,187	76,110,622	50,773,267	41,043,369
Cost of sales		(60,175,025)	(49,137,519)	(36,601,297)	(29,283,828)
Gross profit		31,545,162	26,973,103	14,171,970	11,759,541
Other income		209,816	167,643	874,293	365,668
Selling and distribution expenses		(2,805,399)	(2,480,048)	(1,322,452)	(944,252)
General and administrative expenses		(20,221,610)	(18,659,623)	(10,420,119)	(8,674,936)
Results from operating activities		8,727,969	6,001,075	3,303,692	2,506,021
Finance income		7,415	15,908	5,349	5,713
Finance expenses		(839,772)	(705,525)	(381,130)	(428,871)
Net finance expenses	18	(832,357)	(689,617)	(375,781)	(423,158)
Share of profit of associate, net of income tax		23,867	–	–	–
Profit before income tax	19	7,919,479	5,311,458	2,927,911	2,082,863
Income tax expense	20	(1,602,639)	(1,424,262)	(381,707)	(300,000)
Profit for the year		6,316,840	3,887,196	2,546,204	1,782,863
Attributable to:					
Equity holders of the Company		4,948,168	2,617,170	2,546,204	1,782,863
Minority interests		1,368,672	1,270,026	–	–
Profit for the year		6,316,840	3,887,196	2,546,204	1,782,863
Earnings per share (cents)	22				
Basic		1.34	0.74 (restated)		
Diluted		1.23	0.64 (restated)		

This accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

Year ended 31 December 2007

Group	Note	Share capital $	Share premium $	Currency translation reserve $	Accumulated profits $	Total attributable to equity holders of the Company $	Minority interests $	Total equity $
At 1 January 2006, as previously reported		12,887,293	6,110,151	(447,802)	21,975,143	40,524,785	5,169,740	45,694,525
Prior year adjustment by a subsidiary	28	–	–	–	–	–	(121,989)	(121,989)
At 1 January 2006, as restated		12,887,293	6,110,151	(447,802)	21,975,143	40,524,785	5,047,751	45,572,536
Exchange differences arising on translation of financial statements of foreign subsidiaries		–	–	(139,672)	–	(139,672)	(53,316)	(192,988)
Net losses recognised directly in equity		–	–	(139,672)	–	(139,672)	(53,316)	(192,988)
Profit for the year		–	–	–	2,617,170	2,617,170	1,270,026	3,887,196
Total recognised income (expense) for the year		–	–	(139,672)	2,617,170	2,477,498	1,216,710	3,694,208
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005		6,110,151	(6,110,151)	–	–	–	–	–
First and final dividend paid of 0.5 cents per share less tax of 20% in respect of 2005		–	–	–	(515,492)	(515,492)	–	(515,492)
At 31 December 2006		18,997,444	–	(587,474)	24,076,821	42,486,791	6,264,461	48,751,252
Exchange differences arising on translation of financial statements of foreign subsidiaries				(6,576)	–	(6,576)	2,052	(4,524)
Net gain (losses) recognised directly in equity		–	–	(6,576)	–	(6,576)	2,052	(4,524)
Profit for the year		–	–	–	4,948,168	4,948,168	1,368,672	6,316,840
Total recognised income (expense) for the year		–	–	(6,576)	4,948,168	4,941,592	1,370,724	6,312,316
Issue of shares								
– Exercise of employees' share options	11	624,810	–	–	–	624,810	–	624,810
– Rights cum warrants issue, net of issue expenses	11	8,899,665	–	–	–	8,899,665	–	8,899,665
– Exercise of warrants issued	11	774,042	–	–	–	774,042	–	774,042
First and final dividend paid of 0.6 cents per share less tax of 18% in respect of 2006		–	–	–	(634,054)	(634,054)	–	(634,054)
Special interim dividend paid of 8.54 cents per share less tax of 18% in respect of 2007		–	–	–	(9,095,235)	(9,095,235)	–	(9,095,235)
At 31 December 2007		29,295,961	–	(594,050)	19,295,700	47,997,611	7,635,185	55,632,796

This accompanying notes form an integral part of the financial statements.

	Note	Share capital $	Share premium $	Accumulated profits $	Total equity $
Company					
At 1 January 2006		12,887,293	6,110,151	16,774,724	35,772,168
Profit for the year		–	–	1,782,863	1,782,863
Total recognised income (expense) for the year		–	–	1,782,863	1,782,863
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005		6,110,151	(6,110,151)	–	–
First and final dividend paid of 0.5 cents per share less tax of 20% in respect of 2005		–	–	(515,492)	(515,492)
At 31 December 2006		18,997,444	–	18,042,095	37,039,539
Profit for the year		–	–	2,546,204	2,546,204
Total recognised income and (expense) for the year		–	–	2,546,204	2,546,204
Issue of shares					
– Exercise of employees' share options	11	624,810	–	–	624,810
– Rights cum warrants issue, net of issue expenses	11	8,899,665	–	–	8,899,665
– Exercise of warrants issued	11	774,042	–	–	774,042
First and final dividend paid of 0.6 cents per share less tax of 18% in respect of 2006		–	–	(634,054)	(634,054)
Special interim dividend paid of 8.54 cents per share less tax of 18% in respect of 2007		–	–	(9,095,235)	(9,095,235)
At 31 December 2007		29,295,961	–	10,859,010	40,154,971

This accompanying notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	2007 $	2006 $
Operating activities		
Profit before income tax	7,919,479	5,311,458
Adjustments for:		
Amortisation of intangible assets	42,678	43,582
Allowances (Write back) for:		
– doubtful trade receivables	592,965	294,880
– amount due from associate (trade)	–	70,000
– inventory obsolescence	(2,900)	–
Bad trade receivables written off	6,624	81,304
Depreciation of:		
– property, plant and equipment	1,831,693	1,998,787
– brooder stocks	374,173	263,180
Property, plant and equipment written off	2,075	–
(Gain) Loss on disposal of:		
– property, plant and equipment	(95,699)	(2,772)
– quoted equity investment	1,032	–
Change in fair value less estimated point-of-sale cost of breeder stocks	300,930	–
Share of profit of associate	(23,867)	–
Interest income	(7,415)	(15,908)
Interest expense	839,772	705,525
Operating profit before working capital changes carried forward	11,781,540	8,750,036

	Note	2007 $	2006 $
Operating profit before working capital changes carried forward		11,781,540	8,750,036
Changes in working capital:			
Inventories		(408,393)	(1,410,609)
Trade and other receivables		(3,856,610)	(984,095)
Trade and other payables		2,231,450	4,269,776
Cash generated from operations		9,747,987	10,625,108
Income taxes paid		(1,097,704)	(1,263,297)
Cash flows generated from operating activities		8,650,283	9,361,811
Investing activities			
Purchase of:			
– property, plant and equipment		(2,399,375)	(947,687)
– brooder stocks		(6,491,591)	(5,698,991)
– intangible assets		(42,105)	(60,758)
Proceeds from disposal of:			
– property, plant and equipment		134,401	108,178
– quoted equity investment		2,573	–
Interest received		7,415	15,908
Investment in an associate		(812,600)	–
Cash flows used in investing activities		(9,601,282)	(6,583,350)

	Note	2007 $	2006 $
Financing activities			
Interest paid		(838,820)	(723,022)
Drawdown of:			
– bank term loans		2,342,500	300,000
– loans from minority shareholders of a subsidiary		32,625	204,732
Repayment of:			
– bank term loans		(655,866)	(334,498)
– loans from minority shareholders of a subsidiary		(307,208)	(293,591)
Payment of finance lease liabilities		(221,567)	(298,759)
Dividends paid to equity holders		(634,054)	(515,492)
Proceeds from issue of new shares (net of issue expense)		1,203,282	–
Cash flows generated from (utilised in) financing activities		920,892	(1,660,630)
Net (decrease) increase in cash and cash equivalents		(30,107)	1,117,831
Cash and cash equivalents at beginning of year		5,467,328	4,335,742
Effect of exchange rate fluctuations on cash held		12,722	13,755
Cash and cash equivalents at end of year	10	5,449,943	5,467,328

Significant non-cash transactions:

During the financial year, the Company declared a special interim dividend amounting to $9,095,235 which was applied towards the issuance of fully paid rights shares cum warrants at the option of the equity holders.

This accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 14 January 2008.

1 Domicile and activities

Qian Hu Corporation Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at No. 71 Jalan Lekar, Singapore 698950.

The principal activities of the Company are those relating to import, export, farming, breeding and distribution of ornamental fishes and aquarium and pet accessories. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interest in an associate.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for the following:-

- Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments, excluding available-for-sale financial assets, are measured at amortised cost.
- Available-for-sale financial assets are measured at fair value.
- Breeder stocks are measured at fair value less estimated point-of-sale costs.

The financial statements are presented in Singapore dollars which is the Company's functional currency. The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2.1 Basis of preparation (Cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is as follows:

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Impairment of goodwill

  The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

- Depreciation of property, plant and equipment and brooder stocks

  These assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

- Income taxes

  The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.1 **Basis of preparation** (Cont'd)

Critical judgements made in applying accounting policies

Judgement made by management in the application of FRS that has a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the next financial year is discussed below:

- Impairment of investments and financial assets

  The Group and the Company follow the guidance of FRS 36 *Impairment of Assets* and FRS 39 *Financial Instruments: Recognition and Measurement* in determining when an investment or financial asset is impaired and this requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements, except for the adoption of INT FRS 110 *Interim Financial Reporting and Impairment,* Amendment to FRS 1 *Presentation of Financial Statements: Capital Disclosures* and FRS 107 *Financial Instruments: Disclosures,* which are effective for the financial year ended 31 December 2007.

The Group has assessed these changes in accounting policies to have no material impact to the comparatives or the opening balance of accumulated profits of the Group.

2.2 **Consolidation**

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

2.2 Consolidation (Cont'd)

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income, expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries and associate by the Company

Investments in subsidiaries and the associate are stated in the Company's balance sheet at cost less accumulated impairment losses.

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below) and available-for-sale equity instruments.

2.3 Foreign currencies (Cont'd)

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2006, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2.4 Property, plant and equipment (Cont'd)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

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

The estimated useful lives are as follows:

Freehold buildings	20 years
Leasehold land	over the remaining lease terms
Leasehold buildings	over the remaining lease terms
Leasehold improvements	5 years
Motor vehicles	5 – 10 years
Computers	3 years
Furniture, fittings and office equipment	5 – 10 years
Equipment and tools	8 – 10 years
Machinery and equipment	5 – 10 years
Ponds and concrete tanks	3 – 10 years
Electrical and installation	10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.5 Biological assets

The Group is engaged in the breeding of Dragon Fish for commercial sale and accounts for its brooder and breeder stocks as follows:

Brooder stocks

Brooder stocks are parent stocks of Dragon Fish, held for the breeding of Dragon Fish. As the fair value of brooder stocks cannot be reliably measured, the brooder stocks have been stated at cost less accumulated depreciation and impairment losses. The brooder stocks are depreciated on a straight line basis over their estimated useful lives of 50 years.

Breeder stocks

Breeder stocks are the offsprings of brooder stocks, held for trading purposes. The holding period of these breeder stocks is usually 2 to 3 months before they are put up for sales. As at the balance sheet date, these stocks are measured based on their fair value less estimated point-of-sale costs. The fair value is determined based on the age, breed and genetic merit of similar fish that can be purchased from suppliers. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

2.6 Inventories

Inventories comprise raw materials, work-in-progress and manufactured goods, and ornamental fish acquired from suppliers.

Inventories are stated the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present condition and location. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs to make the sale.

2.7 Intangible assets

Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries and associates.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associate is presented together with investments in associates.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 2.10. Negative goodwill representing excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Other intangible assets

(a) Trademarks/customer acquisition costs

Trademarks/customer acquisition costs are estimated to have indefinite lives because based on the current market share of the trademarks, management believes there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flows for the Group.

Such intangible assets are tested for impairment annually as described in note 2.10.

(b) Product listing fees

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

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

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

2.8 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date ie the date the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Available-for-sale financial assets

The Group's investments in certain equity securities are classified as available-for-sale financial assets if they are not classified in any of the other categories.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see note 2.3), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

2.8 **Financial instruments** (Cont'd)

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

Impairment losses in respect of financial assets measured at amortised cost and available-for-sale debt securities are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses once recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in fair value of such assets is recognised directly in equity.

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the income statement.

Intra-group financial guarantees are eliminated on consolidation.

2.8 **Financial instruments** (Cont'd)

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2.9 **Leases**

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2.10 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

2.11 Employee benefits (Cont'd)

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Equity compensation benefit

The Company has an employees' share option scheme where employees (including associates of the Company's controlling shareholders) are granted non-transferable options to purchase shares of the Company. The share options are granted before 22 November 2002. The recognition and measurement principles in FRS 102 *Share-based Payment* have not been applied to these grants in accordance with the transitional provisions in FRS 102.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.13 Revenue recognition

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

2.14 Finance income and expenses

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

2.14 Finance income and expenses (Cont'd)

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

2.15 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Property, plant and equipment

	Freehold land/ buildings $	Leasehold land/ buildings $	Leasehold improvements $	Motor vehicles $	Computers $
Group					
Cost					
At 1 January 2006	5,680,584	4,355,051	293,573	2,268,131	871,824
Translation differences on consolidation	(77,112)	5,593	10,024	(3,246)	(2,418)
Additions	102,931	132,242	23,908	209,946	31,774
Disposals/write offs/transfers	(41,595)	–	8,650	(372,675)	31,829
At 31 December 2006	5,664,808	4,492,886	336,155	2,102,156	933,009
Translation differences on consolidation	(12,993)	3,596	7,135	1,876	(70)
Additions	1,433,547	24,100	27,277	440,406	93,662
Reclassifications	12,194	–	–	(24,901)	–
Disposals/write offs/transfers	–	–	–	(372,787)	(18,729)
At 31 December 2007	7,097,556	4,520,582	370,567	2,146,750	1,007,872
Accumulated depreciation and impairment losses					
At 1 January 2006	471,114	1,842,632	105,299	1,473,060	621,355
Translation differences on consolidation	(6,395)	3,409	10,718	1,447	(1,217)
Depreciation charge for the year	168,096	345,145	61,031	330,069	116,772
Disposals/write offs/transfers	(41,595)	–	–	(303,903)	(166)
At 31 December 2006	591,220	2,191,186	177,048	1,500,673	736,744
Translation differences on consolidation	(1,356)	2,840	3,758	43	37
Depreciation charge for the year	168,653	337,512	48,823	259,517	101,438
Disposals/write offs/transfers	–	–	–	(342,309)	(14,549)
At 31 December 2007	758,517	2,531,538	229,629	1,417,924	823,670
Carrying amount					
At 1 January 2006	5,209,470	2,512,419	188,274	795,071	250,469
At 31 December 2006/1 January 2007	5,073,588	2,301,700	159,107	601,483	196,265
At 31 December 2007	6,339,039	1,989,044	140,938	728,826	184,202

Furniture, fittings and office equipment $	Equipment and tools $	Machinery and equipment $	Ponds and concrete tanks $	Electrical and installation $	Assets under construction $	Total $
1,092,851	1,231,896	4,298,215	180,909	1,242,264	–	21,515,298
405	(16,525)	(38,940)	(5,269)	(12,253)	–	(139,741)
90,738	220,386	178,285	–	72,964	–	1,063,174
10,950	(170,215)	(62,969)	–	10,899	–	(585,126)
1,194,944	1,265,542	4,374,591	175,640	1,313,874	–	21,853,605
4,091	(2,338)	3,220	–	(1,293)	–	3,224
97,658	51,684	313,795	–	72,484	271,521	2,826,134
(26,631)	28,024	11,314	–	–	–	–
(7,002)	(14,363)	(271,652)	–	–	–	(684,533)
1,263,060	1,328,549	4,431,268	175,640	1,385,065	271,521	23,998,430
425,818	308,000	2,794,489	180,909	627,023	–	8,849,699
1,863	(3,765)	(16,088)	(5,269)	(4,346)	–	(19,643)
138,453	138,685	523,575	–	176,961	–	1,998,787
(18,252)	(51,268)	(31,042)	–	(19,351)	–	(465,577)
547,882	391,652	3,270,934	175,640	780,287	–	10,363,266
2,253	(692)	2,466	–	(715)	–	8,634
145,603	172,560	423,434	–	174,153	–	1,831,693
(5,165)	(13,465)	(268,267)	–	–	–	(643,755)
690,573	550,055	3,428,567	175,640	953,725		11,559,838
667,033	923,896	1,503,726	–	615,241	–	12,665,599
647,062	873,890	1,103,657	–	533,587	–	11,490,339
572,487	778,494	1,002,701	–	431,340	271,521	12,438,592

3 Property, plant and equipment (Cont'd)

	Leasehold buildings $	Motor vehicles $	Computers $	Furniture, fittings and office equipment $	Machinery and equipment $	Electrical and installation $	Total $
Company							
Cost							
At 1 January 2006	4,191,256	1,012,476	608,097	336,274	661,260	293,293	7,102,656
Additions	132,242	54,467	16,721	12,871	13,469	8,860	238,630
Disposals	–	(207,517)	–	–	–	–	(207,517)
At 31 December 2006	4,323,498	859,426	624,818	349,145	674,729	302,153	7,133,769
Additions	24,100	138,111	65,933	41,038	133,721	3,300	406,203
Disposals	–	(188,818)	(4,940)	(630)	–	–	(194,388)
At 31 December 2007	4,347,598	808,719	685,811	389,553	808,450	305,453	7,345,584
Accumulated depreciation and impairment losses							
At 1 January 2006	1,742,797	816,361	464,361	204,735	452,135	222,484	3,902,873
Depreciation charge for the year	314,617	114,992	73,658	32,971	60,196	20,049	616,483
Disposals	–	(195,309)	–	–	–	–	(195,309)
At 31 December 2006	2,057,414	736,044	538,019	237,706	512,331	242,533	4,324,047
Depreciation charge for the year	319,256	66,198	59,316	34,238	55,429	19,013	553,450
Disposals	–	(185,048)	(760)	–	–	–	(185,808)
At 31 December 2007	2,376,670	617,194	596,575	271,944	567,760	261,546	4,691,689
Carrying amount							
At 1 January 2006	2,448,459	196,115	143,736	131,539	209,125	70,809	3,199,783
At 31 December 2006/ 1 January 2007	2,266,084	123,382	86,799	111,439	162,398	59,620	2,809,722
At 31 December 2007	1,970,928	191,525	89,236	117,609	240,690	43,907	2,653,895

3 Property, plant and equipment (Cont'd)

The carrying amounts of property, plant and equipment of the Group and the Company include amounts totalling $372,125 (2006: $427) and $175,072 (2006: $162) respectively, in respect of machinery and motor vehicles acquired under finance lease arrangements.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $2,826,134 (2006: $1,063,174), of which $426,760 (2006: $115,487) were acquired under finance leases. Cash payments of $2,399,375 (2006: $947,687) were made to purchase property, plant and equipment.

The Group's freehold land with a carrying amount of $369,445 (2006: $370,177) is subject to a first charge to secure banking facilities for a subsidiary.

Freehold land of a subsidiary with a net book value of $1,513,263 (2006: $514,640) are held by a director of the subsidiary in trust for the subsidiary.

Details of properties held by the Group and the Company as at 31 December are as follows:

Location	Description and existing use	Tenure/ unexpired term	Land area (sqm)	Net carrying amount 2007 $	Net carrying amount 2006 $
Held by the Company					
– Leasehold buildings					
Nos. 69 & 71 Jalan Lekar, Singapore	Fish farming purposes	20 years from 11 November 1993	41,776	1,970,928	2,266,084
			Balance carried forward	1,970,928	2,266,084

3 Property, plant and equipment (Cont'd)

	Description and existing use	Tenure/ unexpired term	Land area (sqm)	Net carrying amount 2007 $	2006 $
			Balance brought forward	1,970,928	2,266,084
Held through subsidiaries – Leasehold land					
Nos. 30/26 Moo 8 Tumbol Klong Nung, Amphur Klong Laung Pathun Thani Province 12120, Thailand	Fish farming purposes	3 years from 1 August 2005	1,600	9,058	17,808
Nos. 30/23 Moo 8 Tumbol Klong Nung, Amphur Klong Laung Pathun Thani Province 12120, Thailand	Fish farming purposes	3 years from 1 August 2005	1,600	9,058	17,808
Held through subsidiaries – Freehold land and buildings					
No 134/836, Siwalee-2 Village, Soi 41, Rangsit Nakornnayok Road, Prachatipat, Thanya Buri, Pathumtani Province 12130, Thailand	Residential	Freehold	444	216,500	–
			Balance carried forward	2,205,544	2,301,700

3 Property, plant and equipment (Cont'd)

	Description and existing use	Tenure/ unexpired term	Land area (sqm)	Net carrying amount 2007 $	Net carrying amount 2006 $
			Balance brought forward	2,205,544	2,301,700
Lot No 722 GM No 714 Mukim of Minyak Beku, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	11,761		
Lot No 1140 MLO No 775 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	24,281		
Lot No 1646, 1647, 4138, 4139, 4141, 4937 & 4938 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	153,729	5,123,916	5,073,588
Lot No 4137 GM No 3164 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	43,478		
Lot No 4153 GM No 2096 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	13,759		
Lot 5092 GRN 50300 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	118,875	998,623	–
				8,328,083	7,375,288

4 Biological assets

	Brooder stocks			
	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Cost				
At 1 January	16,099,284	10,523,332	1,459,500	1,459,500
Translation differences	(33,578)	(123,039)	–	–
Additions	6,491,591	5,698,991	–	–
At 31 December	22,557,297	16,099,284	1,459,500	1,459,500
Accumulated depreciation and impairment loss				
At 1 January	819,373	561,437	204,330	175,140
Translation differences	(1,411)	(5,244)	–	–
Depreciation charge for the year	374,173	263,180	29,190	29,190
At 31 December	1,192,135	819,373	233,520	204,330
Carrying amount				
At 31 December	21,365,162	15,279,911	1,225,980	1,255,170
Estimated quantity at year end	8,921	5,750	350	350

The brooder stocks are parent stocks of Dragon Fish, held by the Group and the Company for use in the breeding of Dragon Fish. Due to the uniqueness of each Dragon Fish and as an active market does not exist for the brooder stocks, the brooder stocks are stated at cost less accumulated depreciation and accumulated impairment losses.

4 Biological assets (Cont'd)

	Breeder stocks			
	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
At 1 January	1,721,800	1,721,800	245,800	245,800
Change in fair value less point-of-sale costs	(300,930)	–	–	–
At 31 December	1,420,870	1,721,800	245,800	245,800
Estimated quantity at year end	3,487	3,075	364	457

The Group is exposed to a number of risks related to its brooder stocks and breeder stocks:

Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of breeder stocks. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to manage the breeding program.

Climate and other risks

The Group's brooder stocks and breeder stocks are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections and industry disease surveys.

5 Intangible assets

	Trademarks/customer acquisition costs $	Product listing fees $	Goodwill on consolidation $	Total $
Group				
Cost				
At 1 January 2006, as previously reported	673,770	162,863	1,739,070	2,575,703
Prior year adjustment by a subsidiary	–	–	226,550	226,550
At 1 January 2006, as restated	673,770	162,863	1,965,620	2,802,253
Translation differences on consolidation	(242)	–	–	(242)
Additions through acquisitions	27,468	33,290	–	60,758
At 31 December 2006/1 January 2007	700,996	196,153	1,965,620	2,862,769
Translation differences on consolidation	(42)	–	–	(42)
Additions through acquisitions	42,105	–	–	42,105
At 31 December 2007	743,059	196,153	1,965,620	2,904,832
Accumulated amortisation and impairment loss				
At 1 January 2006	596,295	83,125	–	679,420
Translation differences on consolidation	(242)	–	–	(242)
Amortisation charge for the year	–	43,582	–	43,582
At 31 December 2006/1 January 2007	596,053	126,707	–	722,760
Translation differences on consolidation	(42)	–	–	(42)
Amortisation charge for the year	–	42,678	–	42,678
At 31 December 2007	596,011	169,385	–	765,396
Carrying amount				
At 1 January 2006	77,475	79,738	1,965,620	2,122,833
At 31 December 2006/1 January 2007	104,943	69,446	1,965,620	2,140,009
At 31 December 2007	147,048	26,768	1,965,620	2,139,436

5 **Intangible assets** (Cont'd)

	Trademarks/ customer acquisition costs $	Product listing fees $	Total $
Company			
Cost			
At 1 January 2006	655,924	162,863	818,787
Additions	27,468	33,290	60,758
At 31 December 2006/1 January 2007	683,392	196,153	879,545
Additions	42,105	–	42,105
At 31 December 2007	725,497	196,153	921,650
Accumulated amortisation			
At 1 January 2006	578,449	83,125	661,574
Amortisation charge for the year	–	43,582	43,582
At 31 December 2006/1 January 2007	578,449	126,707	705,156
Amortisation charge for the year	–	42,678	42,678
At 31 December 2007	578,449	169,385	747,834
Carrying amount			
At 1 January 2006	77,475	79,738	157,213
At 31 December 2006/1 January 2007	104,943	69,446	174,389
At 31 December 2007	147,048	26,768	173,816

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

5 **Intangible assets** (Cont'd)

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

Goodwill on consolidation arose from the acquisition of Kim Kang Aquaculture Sdn Bhd in financial year 2003, whose principal business activities are those relating to the breeding and trading of ornamental fish.

Trademarks/customers acquisition costs are costs paid for the acquisition of two brands of pet food.

The recoverable amounts of the above balances are determined based on value in use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flow projections beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business activities.

Key assumptions used for impairment testing

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks/customer acquisition costs according to the respective business segments.

	Fish **%**	**Pet food** **%**
Growth rate	11.0	5.0
Discount rate	11.9	5.6

Management determines the weighted average growth rates based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business activities.

6 Subsidiaries

	Company 2007 $	Company 2006 $
Unquoted equity investments, at cost	11,152,586	11,152,586

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and business	Effective equity held by the Group 2007 %	Effective equity held by the Group 2006 %	Cost of investment by the Company 2007 $	Cost of investment by the Company 2006 $
* Qian Hu Tat Leng Plastic Pte Ltd	Manufacture of plastic bags	Singapore	100	100	57,050	57,050
^ Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary:	Trading and distribution of ornamental fish and aquarium and pet accessories	Malaysia	100	100	150,451	150,451
^ Qian Hu The Pet Family (M) Sdn. Bhd.	Trading of ornamental fish and aquarium accessories	Malaysia	100	100	–	–
# Kim Kang Aquaculture Sdn. Bhd. And its subsidiary:	Breeding, and trading of ornamental fish	Malaysia	65	65	7,699,891	7,699,891
# Kim Kang Frozen Food Sdn. Bhd (formerly known as Qian Hu The Pet Family (KK) Sdn. Bhd.)	Trading of frozen food	Malaysia	65	65	–	–
^ Beijing Qian Hu Aquarium and Pets Co., Ltd	Import and export of cold-water ornamental fish and distribution of aquarium accessories	People's Republic of China	100	100	171,824	171,824
				Balance carried forward	8,079,216	8,079,216

6 Subsidiaries (Cont'd)

Name of subsidiary	Principal activities	Country of incorporation and business	Effective equity held by the Group 2007 %	Effective equity held by the Group 2006 %	Cost of investment by the Company 2007 $	Cost of investment by the Company 2006 $
		Balance brought forward			8,079,216	8,079,216
^ Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd	Manufacture of aquarium and pet accessories	People's Republic of China	100	100	1,686,039	1,686,039
^ Shanghai Qian Hu Aquarium and Pets Co., Ltd	Trading and distribution of ornamental fish and aquarium accessories	People's Republic of China	100	100	1,086,516	1,086,516
^ Qian Hu Marketing Co Ltd	Distribution of aquarium and pet accessories	Thailand	74•	74•	148,262	148,262
^ Thai Qian Hu Company Limited	Trading of ornamental fish	Thailand	60	60	121,554	121,554
^ NNTL (Thailand) Limited	Investment holding	Thailand	49@	49@	30,999	30,999
					11,152,586	11,152,586

KPMG Singapore is the auditor of all Singapore-incorporated subsidiaries. Other member firm of KPMG International is auditors of significant foreign-incorporated subsidiary. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

* *Audited by KPMG, Singapore*

\# *Audited by KPMG Malaysia, a member firm of KPMG International*

^ *Audited by other certified public accountants. These subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.*

• *This represents the Group's effective interest in Qian Hu Marketing Co Ltd. The Company holds a 49% direct interest in Qian Hu Marketing Co Ltd and the remaining effective 25% is held through a subsidiary, NNTL (Thailand) Limited.*

@ *NNTL (Thailand) Limited is considered a subsidiary of the Company as the Company has voting control at general meetings and Board meetin*gs of NNTL (Thailand) Limited.

7 Associate

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Investment in associate, at cost	812,600	–	812,600	–
Share of post-acquisition profits	23,867	–	–	–
	836,467	–	812,600	–

Investment in associate at 31 December 2007 includes goodwill of $134,289 (2006: $Nil).

Details of associate are as follows:

Name of associate	Principal activities	Country of incorporation	Effective equity held by the Group 2007 %	Effective equity held by the Group 2006 %
Arcadia Products PLC	Manufacture and distribution of aquarium lamps	United Kingdom	20	–

The associate is audited by other certified public accountants. This associate is not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

In July 2007, the Company acquired a 20% equity interest in Arcadia Products PLC ("Arcadia"), an aquarium lamp manufacturer based in the United Kingdom, for an initial consideration of £264,000 (approximately S$812,600). In addition, in the event that Arcadia achieves a net profit after tax ("PAT") of not less than £400,000 (the "Required PAT") in respect of Arcadia's financial year ending 30 June 2008 ("FY 2008"), the Company has agreed to pay a further consideration for the acquisition amounting to 20% of six times the amount of Arcadia's PAT less the amount of initial consideration already paid by the Company ("further consideration"). If the Required PAT is not achieved for FY 2008, the further consideration, calculated on the same abovementioned basis for the financial year ending 30 June 2009 ("FY 2009"), will be payable upon Arcadia achieving the Required PAT in FY 2009.

7 **Associate** (Cont'd)

The cost of acquisition of the associate is determined on a provisional basis and does not include the potential further consideration as the amount cannot be measured reliably. Adjustments to the cost of acquisition is contingent on profit being maintained or achieved in future periods, as explained above. The cost of the acquisition and the goodwill will accordingly be reviewed within 12 months from the date of acquisition as a result of completing the initial accounting.

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

The financial information of the associate are as follows:

	$
Assets and liabilities (as at 31 December 2007)	
Total assets	8,646,615
Total liabilities	5,353,867
Results (for the six months ended 31 December 2007)	
Revenue	5,992,949
Expenses	2,589,776
Profit after taxation	119,333

8 Inventories

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Fish	7,790,580	8,014,510	2,969,900	2,203,171
Accessories	13,221,028	12,915,766	3,745,216	3,716,460
Raw materials – plastic products	500,293	212,802	–	–
Finished goods – plastic products	496,702	504,244	–	–
	22,008,603	21,647,322	6,715,116	5,919,631

9 Trade and other receivables

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Trade receivables	19,676,399	17,435,551	8,609,654	9,193,501
Allowance for doubtful trade receivables	(2,069,699)	(1,522,502)	(1,769,160)	(1,231,265)
Net receivables	17,606,700	15,913,049	6,840,494	7,962,236
Deposits	362,833	474,194	48,545	61,635
Deposit for purchase of property, plant and equipment	278,940	–	278,940	–
Prepayments	509,321	417,594	49,490	111,391
Staff advances	–	15,474	–	–
Advances to suppliers	45,317	309,897	–	–
Tax recoverable	276,897	155,388	–	–
Other receivables	362,165	379,278	201,650	103,121
Amounts due from:				
– subsidiaries (trade)	–	–	16,689,951	16,002,851
– subsidiaries (non-trade)	–	–	2,855,942	2,703,720
– associate (trade)	1,655,630	–	1,655,630	–
	21,097,803	17,664,874	28,620,642	26,944,954

9 Trade and other receivables (Cont'd)

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

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

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
US dollar	2,197,242	1,545,784	1,606,038	878,059
Euro	2,006,526	1,014,558	1,940,877	950,625
Ringgit Malaysia	2,052,842	2,073,883	–	–
Thai Baht	814,350	1,084,796	–	–
Chinese Renminbi	6,561,080	2,108,059	–	–

Impairment losses

The ageing of trade receivables at the reporting date is:

	Gross receivables 2007 $	Impairment loss 2007 $	Gross receivables 2006 $	Impairment loss 2006 $
Group				
Not past due	6,828,429	–	6,199,753	–
Past due 0 – 30 days	3,869,521	–	3,658,246	–
Past due 31 – 60 days	2,240,802	–	1,724,118	–
Past due 61 – 90 days	1,787,551	–	977,449	–
Past due more than 90 days	4,950,096	2,069,699	4,875,985	1,522,502
	19,676,399	2,069,699	17,435,551	1,522,502

9 Trade and other receivables (Cont'd)

	Gross receivables 2007 $	Impairment loss 2007 $	Gross receivables 2006 $	Impairment loss 2006 $
Company				
Not past due	3,185,580	–	3,481,575	–
Past due 0 – 30 days	1,343,655	–	1,814,639	–
Past due 31 – 60 days	819,812	–	652,718	–
Past due 61 – 90 days	362,327	–	305,020	–
Past due more than 90 days	2,898,280	1,769,160	2,939,549	1,231,265
	8,609,654	1,769,160	9,193,501	1,231,265

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

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
At 1 January	1,522,502	1,091,719	1,231,265	814,876
Impairment loss recognised	592,964	294,880	583,414	279,003
Amount written off against allowance made	(45,519)	(132,614)	(45,519)	(132,614)
Allowance made transferred from associate	–	270,000	–	270,000
Translation differences on consolidation	(247)	(1,483)	–	–
At 31 December	2,069,700	1,522,502	1,769,160	1,231,265

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, engage in a wide spectrum of manufacturing and distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

10 Cash and cash equivalents

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Fixed deposits with a financial institution		23,706	23,706	23,706	23,706
Cash and bank balances		7,492,720	5,617,192	4,744,282	3,677,172
		7,516,426	5,640,898	4,767,988	3,700,878
Bank overdrafts (unsecured)	13	(2,066,483)	(173,570)		
Cash and cash equivalents in the cash flow statement		5,449,943	5,467,328		

Fixed deposits bear average effective interest rate of 1.80% (2006:1.80%) per annum. The fixed deposits are pledged to a financial institution to secure performance guarantees issued by that financial institution.

Cash and bank balances earn interests at floating rates based on daily bank deposit rates from 0.25% to 2.875% (2006: 0.94% to 3.05%) per annum.

The average effective interest rate of bank overdraft of the Group is 8.0% (2006: 8.25%) per annum. The bank overdraft is repayable on demand.

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

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
US dollar	1,269,392	775,500	1,261,461	769,598
Euro	11,858	69,048	11,858	69,048
Ringgit Malaysia	354,351	381,452	–	–
Thai Baht	1,148,560	629,191	–	–
Chinese Renminbi	741,341	381,661	–	–

11 Share capital

	Note	Group and Company 2007 No. of shares	2006 No. of shares	2007 $	2006 $
Fully paid ordinary shares, with no par value:					
At 1 January		128,872,934	128,872,934	18,997,444	12,887,293
Issue of new shares					
– Exercise of employees' share options	16	1,059,000	–	624,810	–
– Rights cum warrants issue		259,863,868	–	8,899,665	–
– Exercise of warrants		22,115,477	–	774,042	–
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005		–	–	–	6,110,151
At 31 December		411,911,279	128,872,934	29,295,961	18,997,444

During the financial year, the Company issued the following shares:

- 1,059,000 shares at $0.59 each fully paid for cash on the exercise of options granted under the share option scheme described in note 16.
- 259,863,868 rights shares, with 64,965,868 free detachable warrants, at $0.035 each fully paid from the reinvestment of a special interim dividend (note 23) by equity holders. The gross proceeds of $9,095,235 less issue expense of $195,570, was credited to share capital.
- 22,115,477 shares were issued at $0.035 each fully paid for cash upon the exercise of warrants.

Each warrant carries the right to subscribe for one new share in the Company at an exercise price of $0.035 for each new share.

As at the end of the financial year, there were 42,810,391 warrants outstanding of which a further 1,289,740 warrants were exercised for issuance of 1,289,740 new shares as of 14 January 2008.

11 **Share capital** (Cont'd)

Details on the employee share option scheme are provided in note 16.

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

Capital management

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

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary equity holders. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Net debt	21,959,799	18,099,142	10,841,189	10,867,626
Total equity	55,632,796	48,751,252	40,154,971	37,039,539
Total capital	77,592,595	66,850,394	50,996,160	47,907,165
Gearing ratio	0.28	0.27	0.21	0.23

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2006 and 2007. There were no changes in the Group's approach to capital management during the financial year.

12 Reserves

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Accumulated profits	19,295,700	24,076,821	10,859,010	18,042,095
Foreign currency translation reserve	(594,050)	(587,474).	–	–
	18,701,650	23,489,347	10,859,010	18,042,095

The foreign currency translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from the functional currency of the Company and the translation of monetary items which form part of the Group's net investment in the foreign operations, provided certain conditions are met.

13 Financial liabilities

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Non-current liabilities					
Ringgit Malaysia ("RM") long-term loans – non current portion					
– secured		111,276	128,507	–	–
– unsecured		1,434,290	552,913	–	–
Finance lease liabilities		331,987	108,724	73,537	48,150
		1,877,553	790,144	73,537	48,150
Current liabilities					
Bank overdrafts (secured)	10	2,066,483	173,570	–	–
Singapore dollar short-term loans (unsecured)		7,100,000	6,300,000	7,100,000	6,300,000
Ringgit Malaysia long-term loans – current portion:					
– secured		29,826	40,448	–	–
– unsecured		227,267	196,263	–	–
Bills payable to banks (unsecured)		5,002,650	5,156,871	1,341,255	1,188,399
Finance lease liabilities		164,849	181,723	59,732	79,676
		14,591,075	12,048,875	8,500,987	7,568,075
Total borrowings		16,468,628	12,839,019	8,574,524	7,616,225

The unsecured short-term loans are revolving bank loans which bear interest at rates from 3.81% to 4.19% (2006: 5.18% to 5.27%) per annum.

13 Financial liabilities (Cont'd)

The long-term loans comprise:

- a 7-year bank loan of RM0.5 million, secured by mortgage on a subsidiary's freehold land, bears interest at 8.0% (2006: 8.25%) per annum and is repayable in 84 instalments commencing January 2005;
- a 5-year unsecured bank loan of RM1.85 million, bears interest at 8.25% (2006: 8%) per annum and is repayable in 60 instalments commencing August 2006; and
- a 10-year unsecured bank loan of RM2.5 million, bears interest at 8.25% (2006: Nil%) per annum and is repayable in 120 instalments commencing March 2007.

The weighted average effective interest rates per annum relating to the bills payable to banks, at the balance sheet date for the Group and the Company are 4.93% (2006: 4.87%) and 5.25% (2006: 5.25%) respectively. These bills mature within 1 to 3 months from the year end.

Bills payable to banks denominated in foreign currencies other than the Company's functional currency comprise:

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
US dollar	400,164	414,622	400,164	414,622
Euro	–	80,836	–	80,836
Ringgit Malaysia	3,661,395	3,968,472	–	–
Australian dollar	132,889	119,939	132,889	119,939
Japanese Yen	66,866	104,357	66,866	104,357

13 **Financial liabilities** (Cont'd)

Finance lease liabilities

At 31 December 2007, the Group and the Company had obligations under finance leases that are payable as follows:

	<— 2007		—>	<— 2006		—>
	Principal $	Interest $	Payments $	Principal $	Interest $	Payments $
Group						
Repayable within 1 year	164,849	19,682	184,531	181,723	28,875	210,598
Repayable after 1 year but within 5 years	331,987	23,508	355,495	108,724	17,302	126,026
	496,836	43,190	540,026	290,447	46,177	336,624
Company						
Repayable within 1 year	59,732	8,197	67,929	79,676	15,989	95,665
Repayable after 1 year but within 5 years	73,537	8,463	82,000	48,150	8,560	56,710
	133,269	16,660	149,929	127,826	24,549	152,375

Lease terms range from 1 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rates implicit in the Group's and the Company's finance lease obligations are 6.85% (2006: 6.85%) and 6.68% (2006: 6.68%) respectively.

13 Financial liabilities (Cont'd)

The following are the expected contractual undiscounted cash inflows (outflows) of financial liabilities, including estimated interest payments:

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
	$	$	$	$	$
Group					
2007					
Bank overdrafts	2,066,483	2,066,483	2,066,483	–	–
Bills payable to banks	5,002,650	5,068,310	5,068,310	–	–
S$ floating rate loans	7,100,000	7,171,000	7,171,000	–	–
RM floating rate loans	1,802,659	2,218,324	512,265	1,193,122	512,937
Finance lease liabilities	496,836	540,026	184,531	355,495	–
Trade and other payables*	10,447,610	10,447,610	10,447,610	–	–
		27,511,753	25,450,199	1,548,617	512,937
2006					
Bank overdrafts	173,570	173,570	173,570	–	–
Bills payable to banks	5,156,871	5,224,555	5,224,555	–	–
S$ floating rate loans	6,300,000	6,363,000	6,363,000	–	–
RM floating rate loans	918,131	1,046,913	292,928	753,985	–
Finance lease liabilities	290,447	336,624	210,598	126,026	–
Trade and other payables*	9,172,499	9,172,499	9,172,499	–	–
		22,317,161	21,437,150	880,011	–

* Excludes accrued expenses

13 Financial liabilities (Cont'd)

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
	$	$	$	$	$
Company					
2007					
S$ floating rate loans	7,100,000	7,100,000	7,100,000	–	–
Finance lease liabilities	133,269	149,929	67,929	82,000	–
Bills payable to banks	1,341,255	1,341,255	1,341,255	–	–
Trade and other payables*	5,144,873	5,144,873	5,144,873	–	–
		13,736,057	13,654,057	82,000	–
2006					
S$ floating rate loans	6,300,000	6,300,000	6,300,000	–	–
Finance lease liabilities	127,826	152,375	95,665	56,710	–
Bills payable to banks	1,188,399	1,188,399	1,188,399	–	–
Trade and other payables*	5,798,821	5,798,821	5,798,821	–	–
		13,439,595	13,382,885	56,710	–

* Excludes accrued expenses

14 Deferred tax liabilities

Deferred tax assets and liabilities of the Group and Company (prior to offsetting of balances) are attributable to the following:

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Deferred tax liabilities				
Property, plant and equipment and brooder stocks	2,941,041	2,468,448	135,000	247,932
Deferred tax assets				
Provisions	(1,796)	(14,728)	–	(12,932)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the balance sheets as follows:

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Deferred tax liabilities	2,939,245	2,453,720	135,000	235,000

14 Deferred tax liabilities (Cont'd)

Movement in deferred tax liabilities

	Note	Group $	Company $
At 1 January 2006, as previously reported		1,756,840	235,000
Prior year adjustment by a subsidiary		348,539	–
At 1 January 2006, as restated		2,105,379	235,000
Recognised in income statement	20	367,072	–
Translation difference on consolidation		(18,731)	–
At December 2006/1 January 2007		2,453,720	235,000
Recognised in income statement	20	512,915	(100,000)
Translation differences on consolidation		(27,390)	–
At 31 December 2007		2,939,245	135,000

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $3,486,677 (2006: $4,634,132) and $467,621 (2006: $412,255) respectively that are available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate.

Deferred tax assets have not been recognised in respect of tax losses for certain subsidiaries because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

15 Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Trade payables	7,356,060	6,007,592	2,740,663	3,267,276
Accrued operating expenses	382,613	529,802	134,528	147,143
Other payables	2,222,194	2,018,338	1,873,368	1,759,660
Accrued staff costs	2,177,374	1,198,720	1,755,252	1,006,315
Amounts due to				
– subsidiaries				
(trade)	–	–	50,842	81,885
(non-trade)	–	–	480,000	690,000
– minority shareholders of a subsidiary				
(non-trade)	869,356	1,146,569	–	–
	13,007,597	10,901,021	7,034,653	6,952,279

Other payables are interest-free and have an average term of three months.

The non-trade amounts due to subsidiaries and minority shareholders of a subsidiary are unsecured, interest-free and repayable on demand.

15 Trade and other payables (Cont'd)

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

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
US dollar	1,002,031	1,136,627	605,367	788,118
Euro	183,211	415,502	183,211	415,502
Ringgit Malaysia	837,854	761,370	608	–
Japanese Yen	93,633	109,476	93,633	109,476
Thai Baht	201,312	77,937	–	–
Chinese Renminbi	1,532,684	212,826	118,114	33,989
Australian dollar	129,444	135,362	129,444	135,362
Hong Kong dollar	95,552	133,388	95,552	133,388
New Taiwan dollar	86,699	62,461	81,330	62,461

16 Employees' share options

The Qian Hu Post-IPO Employees' Share Option Scheme (the "Post-IPO Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 9 October 2000. The Scheme is administered by the Post-IPO Option Committee (the Committee) comprising three directors, Chang Weng Leong, Robson Lee Teck Leng and Tan Tow Ee.

At an Extraordinary General Meeting held on 19 February 2002, the following modifications to the Post-IPO Scheme were approved by the shareholders of the Company:

(a) The Post-IPO Scheme will be extended to include the participation of associates of controlling shareholders. Such associates must be confirmed full-time employees.

(b) The exercise price of the Post-IPO options will be set at a maximum discount of 20% to the market price immediately preceding the date of grant of the option or its nominal value, whichever is higher. Subject to this cap on the discount, the Committee will have the discretion and flexibility to decide the exact quantum of discount for each participant. The subscription price shall not be less than the nominal amount of the share.

16 Employees' share options (Cont'd)

Other information regarding the Scheme is set out below:

Size of Plan

The total number of new shares over which options may be granted shall not exceed 10% of the issued share capital of the Company on the day immediately preceding the offer date of the options ("Offer Date").

Grant of Option

An option may be granted at any time at the absolute discretion of the Committee, provided that where price sensitive information is being announced, options may only be granted after the third market day from the date on which the announcement is released.

Acceptance of Option

The grant of an option shall be accepted within thirty days from the Offer Date and accompanied by payment to the Company of a nominal consideration of $1.

Exercise Period

The exercise period of an option granted at a discount of 20% to the prevailing market price of the shares commences after two years from the Offer Date.

On 1 August 2002, 1,620,000 options were granted to eligible employees of the Group, including associates of controlling shareholders of the Company to subscribe for ordinary shares of the Company at an exercise price of $0.59 per share, exercisable from 1 August 2004 to 31 July 2012.

All options are to be settled by physical delivery of shares.

16 Employees' share options (Cont'd)

The number and weighed average exercise prices of share options is as follows:

	Weighted average exercise price 2007 $	Number of options 2007	Weighted average exercise price 2006 $	Number of options 2006
Outstanding at 1 January	0.59	1,122,000	0.59	1,218,000
Forfeited during the year	0.59	(63,000)	0.59	(96,000)
Exercised during the year	0.59	(1,059,000)	–	–
Granted during the year	–	–	–	–
Outstanding at 31 December	–	–	0.59	1,122,000
Exercisable at 31 December	–	–	0.59	1,122,000

The options outstanding at 31 December 2006 had an exercise price of $0.59 and a weighted average remaining contractual life of 5.6 years.

The weighted average share price at the date of exercise for share options exercised in 2007 was $0.587 (2006: no shares were exercised).

17 Revenue

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
Sale of goods				
– fish	45,336,100	39,597,782	26,301,936	24,870,269
– accessories	35,350,112	26,581,281	24,471,331	16,173,100
– plastics	11,033,95	9,931,559	–	–
	91,720,187	76,110,622	50,773,267	41,043,369

18 Net finance expenses

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Interest income				
– bank deposits	7,415	15,908	5,349	5,713
Interest expense				
– bank term loans	(563,907)	(463,571)	(305,911)	(365,416)
– bills payable to banks	(240,882)	(195,626)	(57,861)	(39,095)
– finance lease liabilities	(34,983)	(46,328)	(17,358)	(24,360)
	(839,772)	(705,525)	(381,130)	(428,871)
Net finance expenses	(832,357)	(689,617)	(375,781)	(423,158)

19 Profit before income tax

The following items have been included in arriving at profit before income tax:

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
Allowances (Write-back) for				
– doubtful trade receivables	592,965	294,880	583,414	279,003
– amount due from an associate (trade)	–	70,000	–	70,000
– inventory obsolescence	(2,900)	–	(2,900)	–
Amortisation of intangible assets	42,678	43,582	42,678	–
Bad trade receivables written off	6,624	81,304	1,679	63,235
Auditors' remuneration:				
– auditors of the Company	80,000	80,000	68,000	68,000
– other auditors	28,746	22,903	–	–
Non-audit fees:				
– auditors of the Company	–	25,100	–	20,500
– other auditors	51,100	–	39,300	–
Depreciation of				
– property, plant and equipment	1,831,693	1,998,787	553,450	616,484
– brooder stocks	374,173	263,180	29,190	29,190
Exchange gain, net	(271,346)	(293,047)	(251,653)	276,094
Loss on disposal of quoted equity investment	1,032	–	–	–
Operating lease expense	732,031	1,293,716	127,317	113,119
Staff costs				
– salaries and bonus	10,348,562	8,916,963	6,107,073	4,934,213
– provident fund contributions	679,700	593,948	367,309	321,662
– staff welfare benefits	689,912	572,027	284,427	209,649
Directors' fees				
– Directors of the Company	45,000	36,000	45,000	36,000
Change in fair value less estimated point-of-sale cost of breeder stocks	300,930	–	–	–
Other income:				
– gain on disposal of property, plant and equipment	(95,699)	(2,772)	(34,149)	(10,267)
– dividend income received from a subsidiary	–	–	(731,707)	(250,000)
– management fees received from a subsidiary	–	–	(48,000)	(48,000)
– sundry income	(114,117)	(164,871)	(60,457)	(57,401)

20 Income tax expense

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Current tax expense					
Current year		1,231,032	1,020,535	481,707	300,000
(Over) under provision in respect of prior year		(141,308)	36,655	–	–
		1,089,724	1,057,190	481,707	300,000
Deferred tax expense					
Origination and reversal of temporary differences		734,803	703,215	(11,426)	–
Reduction in tax rate		(145,689)	–	(16,270)	–
Over provision in respect of prior year		(76,199)	(336,143)	(72,304)	–
	14	512,915	367,072	(100,000)	–
Total income tax expense		1,602,639	1,424,262	381,707	300,000

20 **Income tax expense** (Cont'd)

Reconciliation of effective tax rate

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Profit before income tax	7,919,479	5,311,458	2,927,911	2,082,863
Income tax using Singapore tax rate of 18% (2006: 20%)	1,425,506	1,062,292	527,024	416,573
Effect of reduction in tax rate	(145,689)	–	(16,270)	–
Expenses not deductible for tax purposes	238,198	126,814	180,829	67,086
Income not subject to tax	(54,900)	(21,000)	(27,450)	(10,500)
Tax savings arising from Development and Expansion incentive	(218,263)	(232,342)	(213,917)	(232,342)
Effect of different tax rates in other countries	520,165	202,312	–	–
Over provision in respect of prior year	(217,507)	(299,488)	(72,304)	–
Deferred tax assets not recognised	29,293	606,569	–	60,537
Others	25,836	(20,895)	3,795	(1,354)
Income tax expense	1,602,639	1,424,262	381,707	300,000

In July 2003, the Economic Development Board has granted a Development and Expansion Incentive under the International Headquarters (IHQ) Award to the Company. With the incentive, the Company qualifies for a 10% corporate tax rate for a period of 5 years commencing 1 January 2003.

Pursuant to the income tax law applicable to foreign investment enterprises in the People's Republic of China ("PRC"), the subsidiary companies in the PRC are exempted from the 33% corporate income tax on their taxable income determined in accordance with the accounting principles and the relevant tax regulations in the PRC for a period of two years from the first profit making calendar year followed by a 50% reduction of corporate income tax for the succeeding three years.

21 Directors' remuneration

Company's directors receiving remuneration from the Group:

	Number of directors 2007	2006
Remuneration of:		
$500,000 and above	–	–
$250,000 to $499,999	3	–
Below $250,000	4	7
	7	7

Names of director	Salary* $	Bonus* $	Directors' fees $	Total $
2007				
Kenny Yap Kim Lee	223,428	60,000	–	283,428
Alvin Yap Ah Seng	199,428	60,000	–	259,428
Andy Yap Ah Siong	199,428	60,000	–	259,428
Lai Chin Yee	190,428	56,638	–	247,066
Robson Lee Teck Leng	–	–	15,000	15,000
Chang Weng Leong	–	–	15,000	15,000
Tan Tow Ee	–	–	15,000	15,000
Total	812,712	236,638	45,000	1,094,350

* The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contributions.

21 Directors' remuneration (Cont'd)

Names of director	Salary* $	Bonus* $	Directors' fees $	Total $
2006				
Kenny Yap Kim Lee	187,020	–	–	187,020
Alvin Yap Ah Seng	163,020	–	–	163,020
Andy Yap Ah Siong	163,020	–	–	163,020
Lai Chin Yee	151,020	32,925	–	183,945
Robson Lee Teck Leng	–	–	12,000	12,000
Chang Weng Leong	–	–	12,000	12,000
Tan Tow Ee	–	–	12,000	12,000
Total	664,080	32,925	36,000	733,005

* The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contributions.

22 Earnings per share

Basic earnings per share

	2007	2006 Restated	2006 As previously reported
Ordinary shares at 1 January	128,872,934	128,872,934	128,872,934
Effect of shares issued on the exercise of share options	404,532	–	–
Effect of issue of rights shares and bonus element on the exercise of warrants	235,556,479	226,427,215	–
Effect of shares issued on the exercise of warrants	3,233,041	–	–
Weighted average number of ordinary shares	368,066,986	355,300,149	128,872,934
Profit attributable to equity holders of the Company ($)	4,948,168	2,617,170	2,617,170
Basic earnings per share (cents)	1.34	0.74	2.03

Diluted earnings per share

The calculation of diluted earnings per share at 31 December was based on profit attributable to equity holders of the Company and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	2007	2006 Restated	2006 As previously reported
Ordinary shares at 1 January	128,872,934	128,872,934	128,872,934
Effect of shares issued on the exercise of share options	404,532	–	–
Effect of issue of rights shares and bonus element on the exercise of warrants	235,556,479	226,427,215	–
Effect of shares issued on the exercise of warrants	3,233,041	–	–
Bonus element of bonus warrants outstanding as at year end	34,290,612	51,972,694	–
Weighted average number of ordinary shares	402,357,598	407,272,843	128,872,934
Profit attributable to equity holders of the Company ($)	4,948,168	2,617,170	2,617,170
Diluted earnings per share (cents)	1.23	0.64	2.03

22 Earnings per share (Cont'd)

The number of unissued shares under options granted under the Qian Hu Post-IPO Employees' Share Option Scheme and their exercise prices are set out in note 16 to the financial statements.

The share options have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current financial year.

The average market value of the Company's shares for purposes of calculating the dilutive effect of warrants was based on quoted market prices for the period that the warrants were outstanding. The average fair value of one ordinary share during financial year 2007 was $0.33 (2006: $0.27) per share.

23 Dividends

	Group and Company	
	2007	**2006**
	$	**$**
First and final dividend paid of 0.5 cents per share less tax of 20% in respect of the year ended 31 December 2005	–	515,492
First and final dividend paid of 0.6 cents per share less tax of 18% in respect of the year ended 31 December 2006	634,054	–
Special interim dividend paid of 8.54 cents per share less tax of 18% in respect of the year ended 31 December 2007	9,095,235	–
	9,729,289	515,492

The Directors do not propose a final dividend for the year ended 31 December 2007.

24 Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel compensation comprised:

	Group	
	2007	**2006**
	$	**$**
Short-term employee benefits		
– directors of the Company	1,049,350	697,005
– other key management personnel	1,204,693	922,889
	2,254,043	1,619,894

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties at terms agreed between the parties, are as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Sales to subsidiaries	–	–	10,763,209	8,943,617
Sales to associate	4,229,263	–	4,229,263	–
Purchase from subsidiaries	–	–	9,757,387	7,586,796
Purchase from associate	93,605	–	93,605	–
Management fees received from a subsidiary	–	–	48,000	48,000
Fee paid to a firm of which a director is a partner	12,000	–	12,000	–
Consultancy fee paid to a company in which a director has a substantial interest	8,300	19,300	8,300	19,300

25 Segment information

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, interest income, interest expenses and related assets and liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

Business Segments

The Group comprises the following main business segments:

(i) Fish farming, breeding, distribution and trading of ornamental fish;
(ii) Accessories –manufacturing and distribution of aquarium and pet accessories; and
(iii) Plastics – manufacturing of plastic bags.

Geographical Segments

While the Group's business activities are managed on a worldwide basis, it operates in four principal geographical areas, namely South East Asia, North Asia, Europe and USA, and Singapore.

In presenting information on the basis of geographical segments, segments revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

25 Segment information (Cont'd)

Business Segments	Fish $'000	Accessories $'000	Plastics $'000	Eliminations $'000	Consolidated $'000
2007					
Revenue and expenses					
Total revenue from external customers	45,336	35,350	11,034	–	91,720
Inter-segment revenue	8,448	13,214	151	(21,813)	–
Total revenue	53,784	48,564	11,185	(21,813)	91,720
Results					
Segment results	8,514	1,847	689	(734)	10,316
Unallocated expenses					(1,589)
Results from operating activities					8,727
Finance expenses (net)					(832)
Share of profit of associate					24
Income tax expenses					(1,602)
Profit for the year					6,317
Assets and liabilities					
Segment assets	53,436	26,888	3,977	–	84,301
Investment in equity accounted associate					836
Amounts due from associate					1,656
Unallocated assets					2,030
Total assets					88,823
Segment liabilities	11,734	4,597	1,684	–	18,015
Unallocated liabilities					15,175
Total liabilities					33,190
Other segment information					
Capital expenditure	8,583	614	121	–	9,318
Depreciation and amortisation	1,263	817	169	–	2,249
Other non-cash expenses (income)	579	238	(12)	–	805

25 Segment information (Cont'd)

Business Segments	Fish $'000	Accessories $'000	Plastics $'000	Eliminations $'000	Consolidated $'000
2006					
Revenue and expenses					
Total revenue from external customers	39,598	26,581	9,932	–	76,111
Inter-segment revenue	8,291	10,279	144	(18,714)	–
Total revenue	47,889	36,860	10,076	(18,714)	76,111
Results					
Segment results	6,150	642	638	(84)	7,346
Unallocated expenses					(1,345)
Results from operating activities					6,001
Finance expenses (net)					(690)
Income tax expense					(1,424)
Profit for the year					3,887
Assets and liabilities					
Segment assets	43,427	26,464	3,644	–	73,535
Unallocated assets					2,054
Total assets					75,589
Segment liabilities	11,631	2,928	1,653	–	16,212
Unallocated liabilities					10,625
Total liabilities					26,837
Other segment information					
Capital expenditure	6,345	274	143	–	6,762
Depreciation and amortisation	1,256	838	212	–	2,306
Other non-cash expenses	199	240	4	–	443

25 Segment information (Cont'd)

Geographical Segments	Singapore $'000	Other Asian countries $'000	Europe $'000	Others $'000	Consolidated $'000
2007					
Total revenue from external customers	26,103	38,150	18,637	8,830	91,720
Segment assets	27,178	59,153	2,492	–	88,823
Capital expenditure	527	8,791	–	–	9,318
2006					
Total revenue from external customers	24,147	35,061	12,636	4,267	76,111
Segment assets	25,987	49,602	–	–	75,589
Capital expenditure	381	6,381	–	–	6,762

26 Financial risk management

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

26 Financial risk management (Cont'd)

Credit risk (Cont'd)

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily the United States dollar, Euro, Ringgit Malaysia, Japanese Yen, Thai Baht and Chinese Reminbi.

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

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

Sensitivity analysis

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group $	Company $
31 December 2007		
US dollar	(206,444)	(186,197)
Euro	(183,517)	(176,952)
Ringgit Malaysia	389,472	61
Japanese Yen	16,050	16,050
Thai Baht	(176,160)	–
Chinese Renminbi	(576,974)	10,811
Australian dollar	26,233	26,233
Hong Kong dollar	9,555	9,555
New Taiwan dollar	8,670	8,133
31 December 2006		
US dollar	(77,004)	(44,492)
Euro	58,727	(52,334)
Ringgit Malaysia	319,204	–
Japanese Yen	21,383	10,436
Thai Baht	(163,605)	10,948
Chinese Renminbi	(227,689)	3339
Australian dollar	25,530	25,530
Hong Kong dollar	13,339	13,339
New Taiwan dollar	6,246	6,246

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

26 Financial risk management (Cont'd)

Business risk

The main risk arising from the Group's livestock is business risk. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good healthcare management and hygiene for its livestock. Currently, all its domestic and overseas fish operations have attained ISO 9002 certification.

Interest rate risk

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-earning financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group obtains additional financing through bank borrowings and finance lease arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

26 Financial risk management (Cont'd)

Interest rate risk (Cont'd)

The following table sets out the carrying amounts as at 31 December, by maturity or repricing, whichever is earlier, of the financial instruments of the Group and the Company that are exposed to interest rate risk:

	Within 1 year $'000	1 to 5 years $'000	Total $'000
2007			
Group			
Financial liabilities			
Fixed rate			
Fixed deposits	24	–	24
Bills payable to banks	5,003	–	5,003
Finance lease liabilities	165	332	497
Floating rate			
Bank overdrafts	2,066	–	2,066
Bank term loans	8,902	–	8,902
Company			
Financial liabilities			
Fixed rate			
Fixed deposits	24	–	24
Bills payable to banks	1,341	–	1,341
Finance lease liabilities	60	73	133
Floating rate			
Bank term loans	7,100	–	7,100

26 Financial risk management (Cont'd)

	Within 1 year $'000	1 to 5 years $'000	Total $'000
2006			
Group			
Financial liabilities			
Fixed rate			
Fixed deposits	24	–	24
Bills payable to banks	5,157	–	5,157
Finance lease liabilities	182	108	290
Floating rate			
Bank overdrafts	174	–	174
Bank term loans	7,218	–	7,218
Company			
Financial liabilities			
Fixed rate			
Fixed deposits	24	–	24
Bills payable to banks	1,188	–	1,188
Finance lease liabilities	80	48	128
Floating rate			
Bank term loans	6,300	–	6,300

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

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore a change in interest rates at reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

For the variable rate financial assets and liabilities, a change of 100 bp in interest rate at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase	**100 bp decrease**
	$	**$**
Group		
31 December 2007		
Floating rate instruments	(109,690)	109,690
31 December 2006		
Floating rate instruments	(73,920)	73,920
Company		
31 December 2007		
Floating rate instruments	(71,000)	71,000
31 December 2006		
Floating rate instruments	(63,000)	63,000

26 Financial risk management (Cont'd)

Fair values of financial instruments

Where possible, fair values have been estimated using market prices for the financial instruments. Where market prices are not available, values have been estimated using quoted prices for financial instruments with similar characteristics, or otherwise using a suitable valuation technique where it is practicable to do so. The fair value information presented represents the Group's and the Company's best estimate of those values, subject to certain assumptions and limitations.

Methodologies

The methodologies and assumptions used in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

Financial assets

The fair value of the Group's and the Company's quoted investments is determined by reference to their quoted bid price at the balance sheet date.

Interest-bearing bank loans

The carrying value of interest-bearing bank loans that reprice within six months of the balance sheet date is assumed to approximate their fair values. The carrying amounts of the term loans also approximate fair value as it is subject to floating interest rates which in turn approximate the current market interest rate for similar loan at balance sheet date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, bills payable to banks and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

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

The fair values of recognised financial liabilities, which are not carried at fair value in the balance sheets as at 31 December, are presented in the following table:

	2007		2006	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Group				
Financial liabilities				
Finance lease liabilities	496,836	496,836	290,447	264,549
Bank term loans	8,902,659	8,902,659	7,218,131	7,192,286
	9,399,495	9,399,495	7,508,578	7,456,835
Unrecognised gain		–		51,743
Company				
Financial liabilities				
Finance lease liabilities	133,269	133,269	127,826	114,905
Bank term loans	7,100,000	7,100,000	6,300,000	6,274,155
	7,233,269	7,233,269	6,427,826	6,389,060
Unrecognised gain		–		38,766

The above fair values have been estimated by discounting future contracted cash flows at the current market rate available.

Intra-group financial guarantees

The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries or related parties.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainity of the Company's future cash flows.

26 Financial risk management (Cont'd)

The intra-group financial guarantees are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to $9.6 millions (2006: $7.6 millions).

27 Commitments

During the financial year ended 31 December 2007, the Group and the Company entered into a contract to purchase property, plant and equipment for $725,351 (2006: $876,033) and $725,351 (2006: Nil) respectively. These commitments are expected to be settled in the following financial year.

At 31 December 2007, the Group and the Company have operating lease commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Payable:				
– Within 1 year	262,680	282,713	83,556	101,084
– After 1 year but within 5 years	489,500	879,990	250,668	296,286
– After 5 years	160,149	135,344	160,149	135,344
	912,329	1,298,047	494,373	532,714

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

28 Comparative information

The financial statements for the year ended 31 December 2006 were audited by another firm of certified public accountants.

The following comparative figures have been restated to recognise a prior period adjustment by a subsidiary:

	Group	
	As restated $	As previously stated $
Total equity		
Minority interest	6,264,461	6,386,450
Non-current liabilities		
Deferred tax liabilities	2,453,720	2,105,181
Non-current asset		
Intangible assets – goodwill	1,965,620	1,739,070

29 New accounting standards and interpretations not yet adopted

The Group has not applied the following accounting standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 23 *Borrowing Costs*
- FRS 108 *Operating Segments*
- INT FRS 111 FRS 102 *Group and Treasury Share Transactions*
- INT FRS 112 *Service Concession Arrangements*

FRS 23 will become effective for financial statements for the year ending 31 December 2009. FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

29 New accounting standards and interpretations not yet adopted (Cont'd)

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The adoption of FRS 108 will not result in a significant difference in segment reporting by the Group.

Other than the change in disclosures relating to FRS 108, the initial application of these standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

Statistics of Shareholders

As at 31 January 2008

Share Capital

Issued and Fully Paid-up Capital	:	$29,536,760
Class of Shares	:	Ordinary shares
Number of Shares	:	413,203,519

Analysis of Shareholders

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 – 999	233	9.67	52,511	0.01
1,000 – 10,000	760	31.55	4,397,958	1.07
10,001 – 1,000,000	1,380	57.29	89,509,200	21.66
1,000,001 and above	36	1.49	319,243,850	77.26
Total	**2,409**	**100.00**	**413,203,519**	**100.00**

Substantial Shareholders

	Shareholdings registered in the name of the substantial shareholders		Shareholdings held by substantial shareholders in the name of nominees	
Name of Substantial Shareholder	No. of Shares	%	No. of Shares	%
1. Qian Hu Holdings Pte Ltd	49,000,000	11.86	60,000,000	14.52
2. Yap Ah Seng Alvin*	18,700,000	4.53	–	–
3. Yap Ah Siong Andy*	18,700,000	4.53	–	–
4. Yap Kim Choon*	18,700,000	4.53	–	–
5. Yap Kim Lee Kenny*	17,000,000	4.11	–	–
6. Yap Hock Huat*	16,100,000	3.90	–	–
7. Yap Ping Heng*	15,700,000	3.80	–	–
8. Yap Kim Chuan*	9,021,994	2.18	9,678,006	2.34

* Each has a shareholding of 14.04% in Qian Hu Holdings Pte Ltd (“QHHPL”) except for Yap Kim Lee Kenny whose shareholding in QHHPL is 15.76%.

Statistics of Shareholders

As at 31 January 2008

Twenty Largest Shareholders

	Name of Shareholder	No. of Shares	% of Issued Share Capital
1.	Qian Hu Holdings Pte Ltd	49,000,000	11.86
2.	Hong Leong Finance Nominees Pte Ltd	44,318,359	10.73
3.	DBS Nominees Pte Ltd	32,089,960	7.77
4.	Yap Ah Seng Alvin	18,700,000	4.53
5.	Yap Ah Siong Andy	18,700,000	4.53
6.	Yap Kim Choon	18,700,000	4.53
7.	Yap Kim Lee Kenny	17,000,000	4.11
8.	Yap Hock Huat	16,100,000	3.90
9.	Yap Ping Heng	15,700,000	3.80
10.	Kim Eng Securities Pte. Ltd.	9,255,600	2.24
11.	Yap Kim Chuan	9,021,994	2.18
12.	Yap Hey Cha	8,225,000	1.99
13.	Koh Guat Lee	7,604,971	1.84
14.	Goh Siak Ngan	7,254,978	1.75
15.	Ang Kim Sua	7,021,000	1.70
16.	Lim Boo Hua	4,072,400	0.98
17.	Phillip Securities Pte Ltd	3,709,320	0.90
18.	Lim Peng Chuan	3,224,000	0.78
19.	Seah Chong Huat	2,580,000	0.62
20.	Ng Wah Hong	2,341,446	0.56
	Total	294,619,028	71.30

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 30.82% of the issued share capital of the Company was held in the hands of the public as at 31 January 2008. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been compiled with.

Statistics of Warrantholders

As at 31 January 2008

Analysis of Warrantholders

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants	% of Warants
1 – 999	426	32.01	138,062	0.33
1,000 – 10,000	646	48.53	2,802,483	6.74
10,001 – 1,000,000	249	18.71	14,586,176	35.10
1,000,001 and above	10	0.75	24,031,430	57.83
Total	**1,331**	**100.00**	**41,558,151**	**100.00**

Twenty Largest Warrantholders

	Name of Warrantholder	No. of Warrants	% of Warrants
1.	Yap Ah Seng Alvin	3,104,552	7.47
2.	Yap Ah Siong Andy	3,104,552	7.47
3.	Yap Kim Choon	3,104,552	7.47
4.	Yap Kim Chuan	2,999,999	7.22
5.	Yap Kim Lee Kenny	2,700,000	6.50
6.	Yap Hock Huat	2,500,000	6.02
7.	Yap Ping Heng	2,500,000	6.02
8.	Choo Chee Kiong	1,878,000	4.52
9.	Kim Eng Securities Pte. Ltd.	1,109,775	2.67
10.	Cheng Sim Mui	1,030,000	2.47
11.	Mohamed Salleh So Kadir Mohideen Saibu Maricar	825,000	1.99
12.	Tan Tow Ee	805,000	1.94
13.	Tan Hai Hong	699,500	1.68
14.	Hong Leong Finance Nominees Pte Ltd	631,726	1.52
15.	Low Chin Yee	628,000	1.51
16.	Lim Peng Chuan	529,000	1.27
17.	Ng Chuen Guan	400,000	0.96
18.	Ng Wah Hong	390,241	0.94
19.	United Overseas Bank Nominees Pte Ltd	358,950	0.86
20.	Kam Teow Chong	302,310	0.73
	Total	29,601,157	71.23

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Tuesday, 11 March 2008 at 11.00 a.m. to transact the following business: -

Ordinary Business

1 To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2007 and the Auditors' Report thereon. **[Resolution 1]**

2 To re-elect Mr Chang Weng Leong, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. [See Explanatory Note (a)] **[Resolution 2]**

3 To re-elect Mr Robson Lee Teck Leng, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. [See Explanatory Note (a)] **[Resolution 3]**

4 To re-elect Ms Lai Chin Yee, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 4]**

5 To approve the sum of $45,000/- as Directors' fees for the financial year ended 31 December 2007. (2006: $36,000) **[Resolution 5]**

6 To re-appoint KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**

7 To transact any other business that may be transacted at an Annual General Meeting.

Special Business

8 To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modifications: -

Ordinary Resolution: -

General Mandate to authorise the Directors to issue shares or convertible securities

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited (the "Listing Rules"), authority be and is hereby given to the Directors of the Company to allot and issue: -

(a) shares; or

(b) convertible securities; or

(c) additional securities issued pursuant to Rule 829 of the Listing Rules; or

(d) shares arising from the conversion of securities in (b) and (c) above,

Special Business (Cont'd)

in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that: (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution must be not more than 50% of the issued shares in the capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the issued shares in the capital of the Company (calculated in accordance with (ii) below); and (ii) for the purpose of determining the number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued share capital shall be calculated based on the number of issued shares in the capital of the Company at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent consolidation or subdivision of shares. Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the earlier of the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (b)] **[Resolution 7]**

By Order of the Board

Lai Chin Yee
Yeoh Kar Choo Sharon
Company Secretaries

Singapore
22 February 2008

Explanatory Notes:

(a) Mr Robson Lee Teck Leng and Mr Chang Weng Leong, if re-elected, will remain as members of the Company's Audit Committee, Nominating Committee and Remuneration Committee and will also be considered as independent directors of the Company. Mr Robson Lee Teck Leng will continue to be the Chairman of the Audit Committee, while Mr Chang Weng Leong will continue to be the Chairman of the Remuneration Committee.

(b) The ordinary resolution set out in item 8 above, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the issued shares in the capital of the Company, of which the aggregate number issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 20% of the issued shares in the capital of the Company, as more particularly set out in the resolution.

Note:

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy. The instrument appointing the proxy must be deposited at the registered office of the Company at No. 71 Jalan Lekar, Singapore 698950 not later than 48 hours before the time set for the Annual General Meeting.

Dear Shareholders

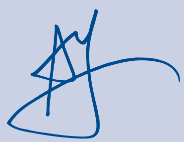
We realise that you may not be able to attend our forthcoming Annual General Meeting ("AGM") for some reason or other. As in the previous years, we have set up several channels to communicate with our investors and shareholders. All because we deeply value your feedback and input.

You now may channel your questions and feedback to us via the following methods:

- **Through our online feedback at our website, www.qianhu.com**
  – At our homepage, please click on 'Qian Hu Feedback'
  – Follow the instructions and click 'Submit' when you have completed the online form
- **By calling our automated hotline number 6511 1086**
  – Dial 6511 1086
  – Choose your language options
  – Press 1 for 'Feedback'
- **By sending us an email through investor@qianhu.com**
- **By faxing us your feedback through 6766 3995**

We will look into all of your feedback questions and answer them during the AGM, provided that they reach us before 11 March 2008. A copy of the minutes of the AGM will be posted onto our website and via SGXNET onto the SGX website.

Yours faithfully



Kenny Yap Kim Lee
Executive Chairman and Managing Director
Qian Hu Corporation Limited

To facilitate your attendance at our Annual General Meeting (AGM) on **11 March 2008**, at **No. 71 Jalan Lekar Singapore 698950 at 11am**, transport arrangements have been made available for you.

We have chartered a bus to ferry you from the **Choa Chu Kang Bus Interchange (next to Choa Chu Kang MRT Station)** to our meeting venue.

Please proceed to the **Choa Chu Kang Bus Interchange Berth B5**. The bus will leave at **10:40am sharp**.

Transport will also be provided back to the Choa Chu Kang Bus Interchange after the meeting.

IMPORTANT FOR CPF INVESTORS ONLY:

1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF investors and shall not be effective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of Qian Hu Corporation Limited.

Proxy Form

QIAN HU CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199806124N)

I/We ______________________________ NRIC/Passport/Co. Registration No. ______________

of ______________________________ being a member/members of QIAN HU CORPORATION LIMITED hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us and on my/our behalf and, if necessary to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at No. 71 Jalan Lekar Singapore 698950 on Tuesday, 11 March 2008 at 11.00 a.m. and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the AGM. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	For*	Against*
AS ORDINARY BUSINESS			
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2007		
2	Re-election of Mr Chang Weng Leong as director		
3	Re-election of Mr Robson Lee Teck Leng as director		
4	Re-election of Ms Lai Chin Yee as director		
5	Approval of directors' fees		
6	Re-appointment of KPMG as auditors		
AS SPECIAL BUSINESS			
7	Authority to allot and issue new shares		

* Please indicate your vote "For" or "Against" with a "X" within the box provided.

Dated this ______________ day of ______________ 2008

Total Number of Shares Held

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

3. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at No. 71 Jalan Lekar, Singapore 698950 not less than 48 hours before the time set for the Annual General Meeting.

4. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.

5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.

7. The Company shall be entitled to reject this instrument of proxy if it is incomplete improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy lodged if the member, being the appointer, is not shown to have any shares entered against his name in the Depository Register as at 48 hours before the time set for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.