



分感激

Brimming with gratitude



QIAN HU CORPORATION LIMITED
Annual Report 2010



10分感激

Brimming with gratitude

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

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

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



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Our Vision

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

Celebrating A Decade of Distinction

10 Fun Years of Being A Public Listed Company

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

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

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



2000



2003



2006



2007



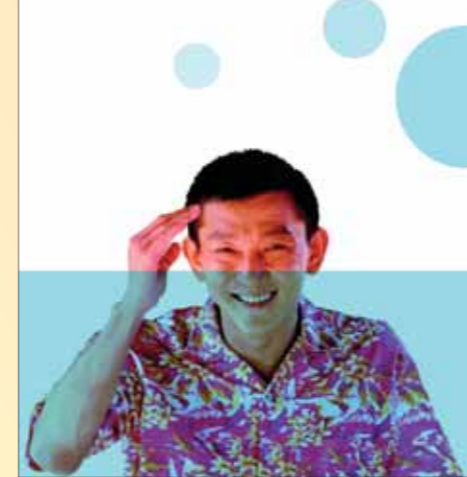
2001



2004



2002



2005



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

Kenny The Fish
Executive Chairman & Managing Director

2008



2009



Chairman's Statement

Articulating A Future Of Excellence

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



My dear bosses,

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

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

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

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

The Next Lap – To be the world's number 1 ornamental fish exporter

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

We hope to achieve this by exporting more Dragon Fish to China, India and Vietnam. In 2009, we have established a joint venture in Chennai, India

which we hope will enable us to establish an extensive distribution network within and beyond the Subcontinent.

With Indonesia potentially being the next big consumer market after China and India, on 12 January 2011 we signed an investment agreement with Joe Aquatic Indonesia, PT, an established distributor and exporter of ornamental fish, marine fish and aquatic plants in Indonesia. PT Qian Hu Joe Aquatic Indonesia, which is 55% owned by Qian Hu, is now our latest subsidiary to join the Qian Hu family, and will focus on the breeding, rearing, trading, exporting and importing of all kinds of ornamental fish and other related activities such as manufacturing and trading of aquarium accessories. Indonesia has rich supplies of fish varieties, and is home to the CITES¹ protected Dragon Fish as well. Our subsidiary in Indonesia will enable Qian Hu to tap the diversity of ornamental fish resources and provide an ambient platform to us to extend our Dragon Fish research beyond Singapore and Malaysia. We have big plans for Indonesia,

¹CITES - Convention on International Trade in Endangered Species

Chairman's Statement

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

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

Aquarium and Pet Accessories to account for 50% of total sales

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

Stepping up R&D

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

Widening network in China, India, Indonesia, Vietnam

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

Our joint venture in Chennai, India which currently focuses on the manufacturing of aquarium accessories and fish foods, will eventually include the distribution of ornamental fish in various cities throughout India, essentially replicating what we have been doing in China. Apart from these two economic giants, we are also eyeing expansion opportunities through our newly-formed subsidiary in Indonesia, as well as Vietnam within the next three years.

Qian Hu is, and will always be, an integrated ornamental fish service provider to global markets. Our sustainable strategy is to always focus on our core competencies. Though a small company in a niche industry, we are one of the leaders in the global ornamental fish market. By staying focused and relentlessly pursuing business excellence, Qian Hu will one day become a bigger company with even better long-term prospects.

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

To be a debt-free and high dividend payout company

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

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

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

Appreciation

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

Here's wishing one and all a very healthy and wealthy 2011!



Kenny The Fish
Executive Chairman &
Managing Director

主席的话

十分感激

‘十十’在在迈向卓越的未来

迈入下一阶段增长的任湖 将把重心放在扩展中国和印度的分销网络，加强研发活动以进一步提升观赏鱼与水族宠物器材业务的专业技能及知识 建立一支更为强大的团队，一步一脚印地让任湖更茁壮的成长，好让将任湖成功的故事得以世代传承下去。未来几年任湖将会着重于员工的培育，研发和回馈支持我们的股东们。

各位老板们好！

2010年正是任湖在新加坡交易所上市的十周年纪念。当我回顾这十年来所走过的路及面对过的挑战，我还是很肯定地说让任湖在新交所挂牌上市是我们所做过最好的决定之一。

挂牌上市的准备功夫就花了我们大约一年的时间。我们必须大刀阔斧地重组公司，重新整顿我们的核心业务，聘请一名专业的财务总监，并且成立一支由专业人士组成的董事会。尽管当时的市场不是太稳定，我们要挂牌上市的决心一点也不曾动摇过。从2000年11月8日，任湖正式上市的那一刻起，我们就义无反顾地一路走到现在。作为一家上市公司，我们开始肩负起全新的责任，我们必须对加入我们这个大家庭的新股东们和广大投资者负责，也要同一时间继续追求卓越。

这十年一路走来，任湖的营业额以9.2%的年均复合增长率增长着。我们已经从一个观赏鱼分销商蜕变成一家观赏鱼综合服务供应商。除了领导观赏鱼出口和分销的市场以外，我们在中国和印度共设有两家水族宠物器材制造厂，在马来西亚和新加坡设有完善的龙鱼繁殖设施，和在新加坡，马来西亚，泰国，中国和印度设有营运中心。

下一篇章：“十”现成为世界第一的观赏鱼出口商梦想

作为一家全能的综合观赏鱼供应商是任湖的强项。这是我们一直以来的核心业务，也是我们未来发展的焦点。虽然我们只是一家处在一个较为特定领域的小公司，可是我们却是全球观赏鱼行业的领导者之一。我们为自己成为世界首屈一指的综合观赏鱼出口商设下了长远目标。其一就是要将我们的国际市场占有率提高一倍达百分之十，再来便是把我们的出口市场增至100个国家。

我们希望能够出口更多的龙鱼出口到中国、印度和越南以达成我们的目标。2009年，我们与印度钦奈水族宠物器材经销商签署了合资计划，希望能够借此帮助我们开拓印度境内和周边地区的市场。印度尼西亚是下一个继中国和印度后将会崛起的庞大消费市场。因此，我们在2011年1月12日与印度尼西亚出口及分销海水鱼、观赏鱼和水生植物的Joe Aquatic Indonesia, PT签署投资协议在印度尼西亚设立子公

司- PT Qian Hu Joe Aquatic Indonesia. 任湖将占新子公司55%的股权而新公司的主要业务包括繁殖，培育，贸易，出口和进口各类的观赏鱼以及其他相关业务如水族宠物器材生产和贸易等。另外，印度尼西亚观赏鱼的品种丰富，包括受濒危野生动植物种国际贸易公约(CITES)保护的龙鱼。新的子公司将能够为任湖开启新的观赏鱼货源更能够将我们的龙鱼研究计划延伸到新马以外的领域。这次进军印度尼西亚，我相信我们能够有效的结合双方地强项，并且为我们的客户提供更有特色的产品和服务。

不仅如此，我们会在越南寻找适当的投资机会，希望在三年内设立子公司。我们相信这多方面的发展将能够进一步推高我们观赏鱼的销售额。

水族宠物器材业务将占总营业额的百分之五十

我们的水族宠物器材业务预料将能够取得更好的增长。我们坚信当消费者每花费一元购买观赏鱼的同时，他将会花五元在水族宠物器材上。我们预计水族宠物器材的销售额将能够与观赏鱼的销售额媲美。因此，我们正努力逐步将我们水族宠物器材的商品在未来数年内出口到和观赏鱼一样多的国家。

加强研发

虽然专注于我们的强项是件好事，但是我们必须保持足够的灵活性方能顺应瞬息万变的市场需求。若想要成为顶尖的国际观赏鱼分销商，任湖就得要在研发方面作出更大努力来繁殖更多不同品种并且有高回报率的鱼来开拓新旧市场。另外，我们还必须使用我们的研发能力来改进我们的观赏鱼检疫的包装技术，以进一步地扩大我们与其它竞争者的区别。我们还将探索高尖农业的可行性-例如，对一些品种采用生物防护等级养殖技术，让我们能够减低恶劣天气相关的风险以确保鱼种的持续供应。

扩展中国，印度，印度尼西亚，越南销售网络

展望未来，我们计划在全球两大经济体-中国与印度，建立最广泛的分销网络。目前，我们在中国有超过230个分销网点，而我们计划在未来几年里将分销点在不同城市逐步增加达400多个。

我们在印度钦奈的合资公司将效仿我们在中国所采用的发展模式-从水族宠物器材和

宠物食品生产，逐步扩展业务将观赏鱼分销到印度的各个城市。除了这两个经济强国，我们也非常看好我们印度尼西亚公司在印度尼西亚的发展潜能。我们也希望能在未来3年里实现在越南的扩展计划。

任湖是一家拥有国际市场的综合观赏鱼供应商。现在是，未来更是如此。我们的持续性发展策略就是专注于我们的强项。虽然只是一家特定行业中的小公司，我们却能够成为全球观赏鱼市场的领导者之一。只要将定点集中加上不懈追求卓越表现的态度，任湖将来一定会是一家拥有更好前景的大公司。

我们的长期增长将取决于我们是否有能力去改变，以适应变化莫测的商业环境。在2004年里，我们在经历痛苦的修枝过程，清楚的表明了我们必须拥有坚韧的毅力。展望未来，我们将继续建立一支有专业知识的团队，通过多元化的产品，高品质的服务和不断的求新以达到我们最终的目的-建立一个能够世代相传的企业。

成为一家零债务和派发高股息的公司

接下来几年，我们将把注意力从扩展公司的业务转移到公司的增长上。其实“增长”与“扩展”这两者之间有很大的不同。所谓的“扩展”是一项透过投资和资本支出来发展和增加业务。相反地“增长”并不表示一定需要额外的资金而是在运用现有的资源为股东们提高价值。

在新的财政年里，我们不认为我们的投资计划将会涉及大量的资金。即使有任何投资计划也不会对我们的营运有任何重大的影响因为我们现有的现金余额有能力应付。

同样地，我们将能够宣布更高额的股息来回报支持我们的股东们。我们的目标就是要成为一家派发高股息的零债务公司。

十分感谢

我们要感谢的人有很多很多。对于一直帮助与支持任湖的股东、合作伙伴和员工们，使得我们能够继续为新加坡能享有世界级观赏鱼中心的地位作出贡献，我除了感激还是感激。谢谢大家！

祝大家身体健康和我们一起迈向新的一年！

叶金利
执行主席兼总裁

10 YEARS OF ACHIEVEMENTS

1 UPGRADE TO SGX MAINBOARD

Since our listing in November 2000, Qian Hu's sales and net profit recorded compounded annual growth rate of 36% and 45% respectively from FY 2000 to FY 2002. On our second anniversary of being a public company, Qian Hu was promoted to the Mainboard of the Singapore Exchange.

2 ACQUISITION OF A LEADING DRAGON FISH BREEDER IN MALAYSIA

In a bid to secure a stable supply of asian arowana amidst growing demand, Qian Hu acquired a 65% stake in Kim Kang Aquaculture Sdn Bhd, a leading Dragon Fish breeder based in Batu Pahat, Malaysia, and is today, one of our Group's major subsidiaries.

3 CUTTING-EDGE DRAGON FISH R&D

Spearheading the cutting-edge research on asian arowana, Qian Hu entered the second phase of its collaborative research with Temasek Life Sciences Laboratory (TLL) which brought the Group a step closer towards "pedigree" or "tailor-made" arowana. This helps to raise Qian Hu's breeding capability by improving the quality and quantity of the future generations of our Dragon Fish.

4 ROBUST TURNAROUND IN 2006

In a bid to become a fully-integrated fish company, Qian Hu initiated its retail chain store strategy in 2004. The Group's profit dipped significantly in 2004 due to the start up costs and pre-operating losses incurred by these retail chain stores. The Group subsequently went through a phase of consolidation and transformation in 2005 and turnaround in 2006. It was a few challenging years in which we had taken on the gestation period in relation to the returns from our investment in retail chain stores whilst we strived to constantly reduce the inventory and trade receivable balances to generate more cash in order to reduce gearing.

5 STRONG PAN-ASIAN FOOTPRINT

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

6 FORAY INTO UNITED KINGDOM

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

7 ESTABLISHED MANUFACTURING BASE FOR ACCESSORIES IN CHINA

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

8 JOINT VENTURE IN INDIA IN 2009

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

9 FROM 45 COUNTRIES TO 80 COUNTRIES

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

10 STELLAR PERFORMANCE IN CORPORATE TRANSPARENCY AND GOVERNANCE

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

In 2009, Qian Hu was the first company in the history of the Singapore Corporate Awards to bag four awards in the same year, namely, Best Managed Board (Merit); Chief Financial Officer of the Year; Best Investor Relations (Bronze) and Best Annual Report (Gold), amongst companies with less than \$300 million in market capitalisation. It is also the first SME to win the Best Managed Board Award (Gold) at the Singapore Corporate Awards in 2010.

10 LESSONS LEARNT FROM OUR MISTAKES



1 DON'T BE GREEDY

In 1991, word got around that a certain variety of fish from Sichuan, China, called the High Fin Loach, could fetch handsome margins. Attracted by the possibility of high profits, Qian Hu quickly invested in 4,000 of these fishes without doing much research. If we had done due diligence, we would have discovered that High Fin Loaches go through a sensitive period in their growth where the slightest vibration in their environment would cause them to go into spontaneous cardiac arrest. Our entire stock had perished as a result of the vibrations arising from the construction of new tanks to accommodate them.

Lessons learnt

- Never put all the eggs in one basket.
- Never assume you know everything – do your research and be a learner.

2 NEVER RUSH INTO A JOINT VENTURE WITH PEOPLE YOU DON'T KNOW VERY WELL

In 2002, we set up a factory with a Taiwanese partner in China. This partner did not share any of our values or corporate culture, but claimed that he could run a factory. Qian Hu did not have the resources nor expertise to verify his claim, so we chose to believe him and entered into the joint venture in blind faith. Eventually we had to kick him out and send a team of Singaporean managers to salvage the operation. In 2004, we made the same mistake again by entering into a joint venture in another Southeast Asia country. The business was highly profitable but our joint venture partner operated under a different business philosophy that was in direct conflict with Qian Hu's principles and discipline. We terminated the joint venture within a year to avoid long-term pain.

Lessons learnt

- Never rush into collaboration, no matter how profitable it appears to be.
- Learn all aspects of the business, don't just rely on others.
- Send your best people to run any operations.

4 TRUST IS GOOD, CONTROL IS EVEN BETTER

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

Lessons learnt

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

3 DON'T BE PRESSURED INTO EXPANDING TOO QUICKLY

After Qian Hu's listing in 2000, we felt pressured to expand quickly as we were then a small, young company without sufficient expertise and human resources. We went too far ahead of ourselves and tried to grow the business faster than we could cope and this brought disastrous results. In 2004, we were forced to make the painful decision to scale back, restructure, and focus on managing our cash and growing at a more manageable pace. With this strategy, we were able to turn the business around within two years.

Lessons learnt

- Don't be pressured by the public, analysts, or fund managers to expand unnecessarily. Only the Board and the management should determine the pace of expansion subject to the company's limitations.
- Don't invest in new business ventures until you have identified the right people within the company who have the right skills to run them.

5 NOBODY IS INDISPENSIBLE

Some of our senior management trusted and relied on top-performing staff. They were treated very well and motivated, in the hope that they would continue to be loyal and stay with the Company for a long time. However, the reality is that some do leave for better prospects or for a change of environment, or even to start their own businesses. These are valid reasons and we should wish them well. However, there are occasionally, some who betray the very people that trusted and motivated them.

Lessons learnt

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



7 YOU MUST STILL MONITOR THOSE YOU DELEGATE TO

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

Lessons

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

8 ACTION SPEAKS LOUDER THAN WORDS

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

Lessons learnt

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

9 SHORT TERM PROFIT AT THE EXPENSE OF LONG TERM GROWTH

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

Lessons learnt

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

6 IN A REGIONAL COMPANY, BE AWARE OF CULTURAL DIFFERENCES

During the preparation work for the annual staff opinion survey, a question was modified but was still interpreted differently by an overseas subsidiary. This could have led to some inaccuracy in reflecting the opinion of the factor concerned. The survey's mean scores were compromised.

Lessons learnt

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

10 BUILDING A QIAN HU FAMILY

We used to have only Yap family members in Qian Hu, but as the business grew, we needed to include non-family members of various nationalities and races. We used to treat foreigners as foreigners, non-Yaps as non-Yaps.

However, in order to expand, Qian Hu had to be more inclusive, rather than exclusive. We knew that we had to avoid building another family within the Qian Hu family. We avoided employing relatives of the employees. We remember one bad experience in Beijing in 1993 when the General Manager of the Beijing subsidiary started filling positions with his relatives and before we knew it, we had to restructure that subsidiary all over again.

Lessons learnt

- As far as possible, don't employ too many related employees.
- Treat foreign workers just like local workers.
- If you really need to employ siblings or spouses, don't let them work in the same department.

10 YEARS OF SHAREHOLDER COMMUNICATIONS

Ever since Qian Hu became a public company in 2000, we have embraced a culture of corporate transparency, consistency and openness in our communications to shareholders, analysts and investors. We see the Annual Report as an integral tool to help shareholders understand our business and the factors that would make an impact on our performance and prospects.

2000

The World Through The Eyes Of A Fish

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



2001

Against The Current

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



2002

Stronger, Better, Faster

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



2003

Ahead Of The Pack

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

2004

World Hobbies

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



2005

Our Value Ecosystem

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

2006

Budding Opportunities

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



2007

Fish Without Borders

The distribution of ornamental fish and accessories is truly a global business, and Qian Hu's strategy is to build an extensive distribution network, strengthen our expertise in global sourcing, and enhancing our focus on brand building.



2008

Same Fish, New Ocean

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



2009

Still Swimming Ahead

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

10 YEARS OF EXCELLENCE

Awards & Accolades

2001

SIAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in SESDAQ & Small Caps (up to \$100 million) category

2002

Business Times' Corporate Transparency Index (CTI) - 1st Position

SIAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in SESDAQ & Small Caps (up to \$100 million) category

2003

Best Managed Board Award - Special Mention

SIAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Services/Utilities/Agriculture category & Golden Circle Special Merit Award

2004

Business Times' Corporate Transparency Index (CTI) - 1st Position

SIAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps (up to \$100 million) category & Runner-up in Services/Utilities/ Agriculture category

Singapore Quality Award - Awarded by Spring Singapore

2005

Business Times' Corporate Transparency Index (CTI) - 1st Position

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

2006

Business Times' Corporate Transparency Index (CTI) - 1st Position

Singapore Corporate Awards - Best Annual Report Award (Gold - Companies with less than \$500 million in market capitalisation)

Best Investor Relations Award (Gold - Companies with less than \$500 million in market capitalisation)

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

People Developer Standard - Awarded by Spring Singapore



2007

Business Times' Corporate Transparency Index (CTI) - 1st Position

SIAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

IR Magazine Southeast Asia Awards - Grand Prix for Best Overall Investor Relations (Winner - Small or Mid-Cap)
Best Corporate Governance (Winner - Small or Mid-Cap)
Best Financial Reporting (Highly Recommended - Small or Mid-Cap)
Most Progress in Investor Relations (Highly Recommended - Small or Mid-Cap)

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

2008

Business Times' Corporate Transparency Index (CTI) - 1st Position

Singapore Corporate Awards - Best Managed Board Award (Merit - Companies with less than \$500 million in market capitalisation)

SIAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

SQC Innovation Class - Awarded by Spring Singapore

Pro-Family Business Mark Certification - Awarded By Singapore Productivity Association

2009

Singapore Corporate Awards - Chief Financial Officer of The Year - Ms Lai Chin Yee (Companies with less than \$300 million in market capitalisation)
Best Managed Board Award (Merit - Companies with less than \$300 million in market capitalisation)
Best Annual Report Award (Gold - Companies with less than \$300 million in market capitalisation)
Best Investor Relations Award (Bronze - Companies with less than \$300 million in market capitalisation)

SIAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category

Singapore Quality Award - Awarded by Spring Singapore

2010

Singapore Corporate Awards - Best Managed Board Award (Gold - Companies with less than \$300 million in market capitalisation)

SIAS Most Transparent Company Award - Awarded by Securities Investors Association (Singapore) - Winner in Mainboard Small Caps category



At A Glance

ABOUT QIAN HU

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

CORE BUSINESS

Ornamental Fish



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

Aquarium and Pet Accessories



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

Plastics



The Group manufactures plastic bags for its own use in the packing of ornamental fish for sale. These plastic bags are also sold to third parties in the ornamental fish, food and electronics industries.

DEVELOPMENTS IN 2010

- Region's biggest exporter of ornamental fish capturing more than 5% of the world market share
- New breeding facilities has been added at our Singapore and Malaysia farms, thus securing a more reliable supply of Dragon Fish
- Sales dipped 3.9% as the production of Dragon Fish was affected by the unusual dry weather in Singapore and Malaysia between January and April, in which the dry spell was caused by the abnormal weather phenomenon El Niño
- Export deliveries were affected by widespread airport closures and flight cancellations this year, due to the unusual heavy snowfall in North America and Europe in December, and the Icelandic volcano eruption which affected European airspace between mid April to early May
- Sluggish European economy has also contributed to the weaker demand from its European markets

- Currently exporting to approximately 40 countries. We intend to grow accessories export to as many countries as our ornamental fish export
- With 231 distribution points in China (target: 280 locations by end of Year 2011)
- Sales declined by 7.0% due to the sluggish European economy which affected production orders from its OEM customers, as well as demonstrations and curfews in Bangkok which affected wholesale accessories activities and its retail business in the downtown area
- Utilising surplus capacity at its Guangzhou plant for the production of its revolutionary Hydro-Pure filtration system which is able to improve water quality by 50%. This new product is expected to boost the performance of the accessories segment in FY 2011
- In a bid to hedge against the challenging European market, the Guangzhou factory will increase its production for sales to the China domestic market in the coming year

- This segment continued its steady growth and recorded a 9.1% increase in sales
- Continue to generate cash for the Group
- Focus on generating revenue through selling more varieties of plastics products to a larger customer base

OUR BUSINESS MODEL



OUR PROPRIETARY BRANDS



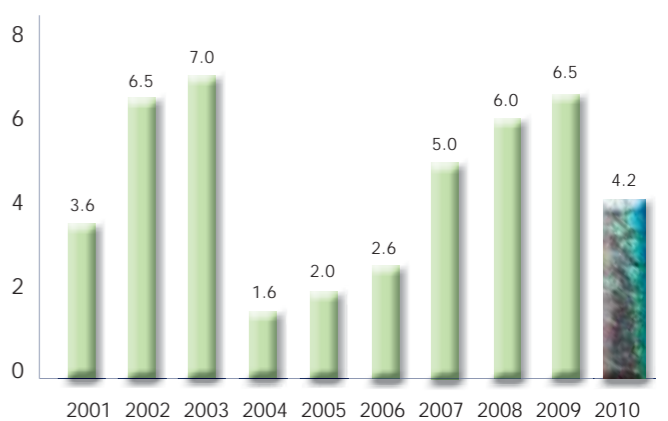
OUR GLOBAL FOOTPRINT



REVENUE (\$'million)



NET PROFIT (\$'million)



Board Of Directors



From Left to right

KENNY YAP KIM LEE

Executive Chairman and Managing Director

Mr Kenny Yap is the Executive Chairman and Managing Director of Qian Hu Corporation Limited, the only integrated ornamental fish service provider listed on the Mainboard of the Singapore Exchange.

Through his leadership, vision and passion for the industry, Kenny plays a key role in establishing Singapore as the Ornamental Fish Capital of the World, with Qian Hu accounting for more than 5% of the global fish market. He has a string of awards to his name - Public Service Award (PBM) in 2004, Ernst & Young's Service Entrepreneur of the Year Award in 2003, Young Chinese Entrepreneur of the Year by Yazhou Zhoukan in 2002, one of the 50 Stars of Asia by Business Week in 2001, the PSB/International Institute of Management's International Management Action Award in 2000, and the Singapore National Youth Award in 1998.

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

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

ALVIN YAP AH SENG

Deputy Managing Director

Mr Alvin Yap, a founding member of the Group, oversees the Group's aquarium and pet accessories operations in his current capacity as Deputy Managing Director.

Alvin holds a diploma in Mechanical Engineering from Singapore Polytechnic and was the Managing Partner for Yi Hu Fish Farm Trading from 1988 to 1998. In 2000, Alvin, together with Kenny Yap and Andy Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

ANDY YAP AH SIONG

Deputy Managing Director

Mr Andy Yap, a founding member of the Group, heads the Group's ornamental fish operations as Deputy Managing Director.

Andy holds a diploma in Business Studies from Ngee Ann Polytechnic and was the Managing Partner for Qian Hu Fish Farm Trading from 1989 to 1998. In 2000, Andy, together with Kenny Yap and Alvin Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

LAI CHIN YEE

Finance Director

Ms Lai Chin Yee was the Group Financial Controller before assuming her current position as the Finance Director of Qian Hu Corporation Limited in November 2004. She is responsible for the Group's accounting, finance, treasury and tax functions. Prior to joining the Group in 2000, Ms Lai was an auditor with international accounting firms since 1987. She was appointed by the Ministry of Finance as a member of the Tax Advisory Committee from September 2004 to September 2006. She also served as a council member of the Council on Corporate Disclosure and Governance (CCDG) from December 2006 to August 2007. She is currently a member of the CFO Committee of the Institute and Certified Public Accountants of Singapore.

Ms Lai graduated with a Bachelor degree in Accountancy from the National University of Singapore and is a Fellow of the Institute of Certified Public Accountants of Singapore. In 2009, Ms Lai was named the Chief Financial Officer of the Year (companies with less than \$300 million in market capitalisation) at the Singapore Corporate Awards.

ROBSON LEE TECK LENG

Independent Director

Mr Robson Lee is a partner in Shook Lin & Bok's corporate finance & international finance practice and has been with the firm since 1994. He is also a partner in the

firm's China practice, focusing on cross-border corporate transactions in the People's Republic of China.

With a LLB (Hons) from the National University of Singapore, Robson was appointed in October 2000 as an Independent Director and the Chairman of the Audit Committee of Qian Hu Corporation Limited. He runs an active practice advising corporate issuers in a number of industries ranging from high-tech, food and beverage, speciality chemicals and pharmaceuticals, and their underwriters in fund-raising and stock market flotations.

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

TAN TOW EE

Independent Director

Mr Tan Tow Ee was appointed in May 2002 as an Independent Director of Qian Hu Corporation Limited.

Mr Tan currently manages private funds and also provides consultancy services. He has more than 15 years of professional

experience working with international corporations where he was managing their sizeable investments.

He holds an Honours degree in Finance from Ohio State University (USA). He is the Chairman of the Nominating Committee which assesses the Board's performance and effectiveness as well as the independence of directors. Also the Chairman of the Branding Committee, Mr Tan plays a pivotal role in developing Qian Hu's brand name into the region.

CHANG WENG LEONG

Independent Director

Appointed in October 2000, Mr Chang Weng Leong serves as Qian Hu's Independent Director. He is currently the Principal Consultant of Alchemy Business Consultants, and has many years of experience in various areas of management - such as quality management, environmental, human resource and business.

Mr Chang is the Chairman of the Remuneration Committee which oversees the remuneration of key executives of the Group.

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

Senior Management



SINGAPORE

From Left to right

SINGAPORE

LOW ENG HUA

Group General Manager

Mr Low joined the Group in 2001 and is responsible for the overall management and business development of the Group. Prior to joining the Group, Mr Low worked in Engage Electronics (S) Pte Ltd from 1993 to 2001 where he rose through the ranks from Application Engineer to Deputy Operations Manager. Mr Low holds a Bachelor's degree in Engineering from the National University of Singapore.

YAP KIM CHOON

Division Head
Wan Hu Division

As one of our founding members, Mr Yap joined the Group in 1988 as the division head of Wan Hu division. He specialises in the rearing and breeding of Dragon Fish and has helped the Group won prizes in international competitions.

RAYMOND YIP CHEE WANG

Senior Manager
Group Human Resource

Mr Yip has been in human resource management for over 20 years, with diverse experiences working in various industries, including NTUC electronic sector unions, ship-repair, hotel and trading companies. He

joined the Group in 2003 to set up the Human Resource department. He is responsible for the daily human resource activities in Singapore and the overseas subsidiaries. Since Qian Hu achieved the SQA status, he has been actively involved in sharing the SQA framework with other organisations and implementing the framework to the various subsidiaries.

LEE KIM HWAT

Managing Director
Qian Hu Tat Leng Plastic Pte Ltd

Mr Lee has been overseeing and managing the operations and business development of Qian Hu Tat Leng for more than 15 years. He is responsible for the growth of the Group's plastics business.

ALEX CHANG KUOK WEAI

Head
Group Integrated R&D Department

Mr Chang joined the Group in January 2009. With degrees in Aquatic Science and Microbiology from University of Queensland and Royal Melbourne Institute of Technology, Mr Chang is the main coordinator in the Group's R&D collaboration with Temasek Life Sciences Laboratory.

Mr Chang was both lecturer at Ngee Ann Polytechnic and Head of its Centre for Aquatic Science and

Technology before joining Qian Hu. Prior to that, he was a technical staff member at DSO National Laboratories' Centre for Biological and Chemical Defence. In 1998, he headed a freshwater crayfish research company.

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

CHINA

LEE KONG MENG

General Manager
Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd

Mr Lee joined the Group in July 2009 and is responsible for the overall business operations and management of the Guangzhou manufacturing facility. Prior to joining the Group, he worked in various senior management positions in Philips (Singapore), Black & Decker (Singapore & China), Allied Telesyn (Singapore & China), Jacuzzi (China), and United Pacific Industries (China).

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

CHINA

MALAYSIA

BOB GOH NGIAN BOON

General Manager
Beijing Qian Hu Aquarium and Pets Co., Ltd
Shanghai Qian Hu Aquarium and Pets Co., Ltd

Mr Goh joined the Group in 2001. He was appointed General Manager of its Guangzhou operations in 2005 and was transferred to our Beijing and Shanghai operations in August 2007 and January 2008 respectively to handle the day-to-day operations and oversee the system implementation. Prior to joining Qian Hu, Mr Goh was a Brand Manager and has managed several high-profile international brands. Mr Goh holds a diploma in Business Studies from Ngee Ann Polytechnic.

MALAYSIA

GOH SIAK NGAN

Managing Director
Kim Kang Aquaculture Sdn Bhd

Mr Goh is the founder of Kim Kang, and has over 20 years of experience in breeding Dragon Fish. In 1992, he started his own farm in Batu Pahat which not only specialise in the breeding of Arowana but Arapaima Gigas and Red Gourami as well.

THAILAND

THOMAS NG WAH HONG

Managing Director
Qian Hu Aquarium and Pets (M) Sdn Bhd
Qian Hu The Pet Family (M) Sdn Bhd

Mr Ng is responsible for the overall business development of Qian Hu Malaysia. Prior to joining the Group in 1998, Mr Ng was a director of Guan Guan Industries Sdn Bhd since 1990, and Agemac Verdas (Malaysia) Sdn Bhd from 1996 to 1998. He holds a diploma in Civil Engineering from Singapore Polytechnic.

THAILAND

JIMMY TAN BOON KIM

Managing Director
Thai Qian Hu Company Limited
Qian Hu Marketing Co Ltd

Mr Tan oversees the business operations and business development of the Group's subsidiaries in Thailand.

Prior to his current appointment in 2002, Mr Tan was the division head of Daudo division, overseeing the import, export and wholesale of ornamental fish. He was also the sole proprietor of Daudo Aquarium for 9 years and a partner of Sea Palace Tropical Fish for 6 years.

INDIA

VIRAVAT VALAISATHIEN

General Manager
Thai Qian Hu Company Limited

Mr Valaisathien, a law graduate from St John's University in Thailand, was appointed General Manager of Thai Qian Hu in 2002. He is responsible for the company's purchasing and domestic sales activities as well as to handle its day-to-day operations.

INDIA

SELVARAJ BALASWAMY

Managing Director
Qian Hu Aquasstar (India) Private Limited

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

Corporate Information

BOARD OF DIRECTORS

**EXECUTIVE CHAIRMAN AND
MANAGING DIRECTOR**
KENNY YAP KIM LEE

DEPUTY MANAGING DIRECTOR
ALVIN YAP AH SENG

DEPUTY MANAGING DIRECTOR
ANDY YAP AH SIONG

FINANCE DIRECTOR
LAI CHIN YEE

INDEPENDENT DIRECTOR
CHANG WENG LEONG

INDEPENDENT DIRECTOR
ROBSON LEE TECK LENG

INDEPENDENT DIRECTOR
TAN TOW EE

COMPANY SECRETARIES

LAI CHIN YEE
YEHO KAR CHOO SHARON

INVESTOR RELATIONS CONTACTS

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kenny_yap@qianhu.com

AUGUST CONSULTING PTE LTD
HO SEE KIM
seekim@august.com.sg

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Fax: (65) 6766 3995
Website: www.qianhu.com

SHARE REGISTRAR

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#17-00 The Corporate Office
Singapore 068906

AUDIT COMMITTEE

CHAIRMAN
ROBSON LEE TECK LENG

MEMBERS

CHANG WENG LEONG
TAN TOW EE

NOMINATING COMMITTEE

CHAIRMAN
TAN TOW EE

MEMBERS

ROBSON LEE TECK LENG
CHANG WENG LEONG

REMUNERATION COMMITTEE

CHAIRMAN

CHANG WENG LEONG

MEMBERS

ROBSON LEE TECK LENG
TAN TOW EE

AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

AUDIT PARTNER-IN-CHARGE

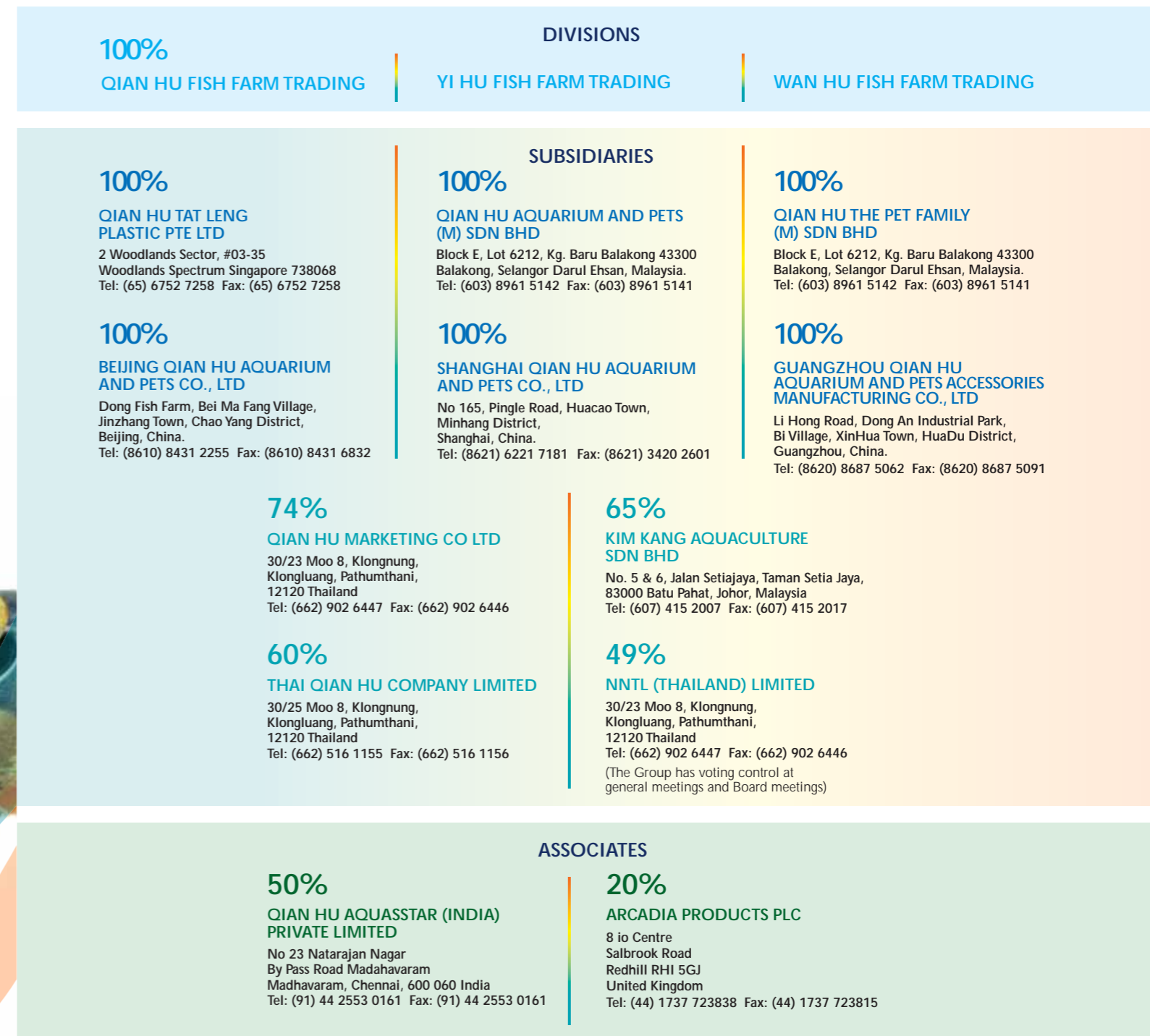
LEE JEE CHENG PHILIP
(appointed in financial year 2007)

PRINCIPAL BANKERS

DBS BANK LTD
OVERSEA-CHINESE BANKING
CORPORATION LIMITED
MALAYAN BANKING BERHAD
STANDARD CHARTERED BANK
AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED



Group Structure



Our Prospects In 2011



INCREASE IN OUR EXPORT OF ORNAMENTAL FISH

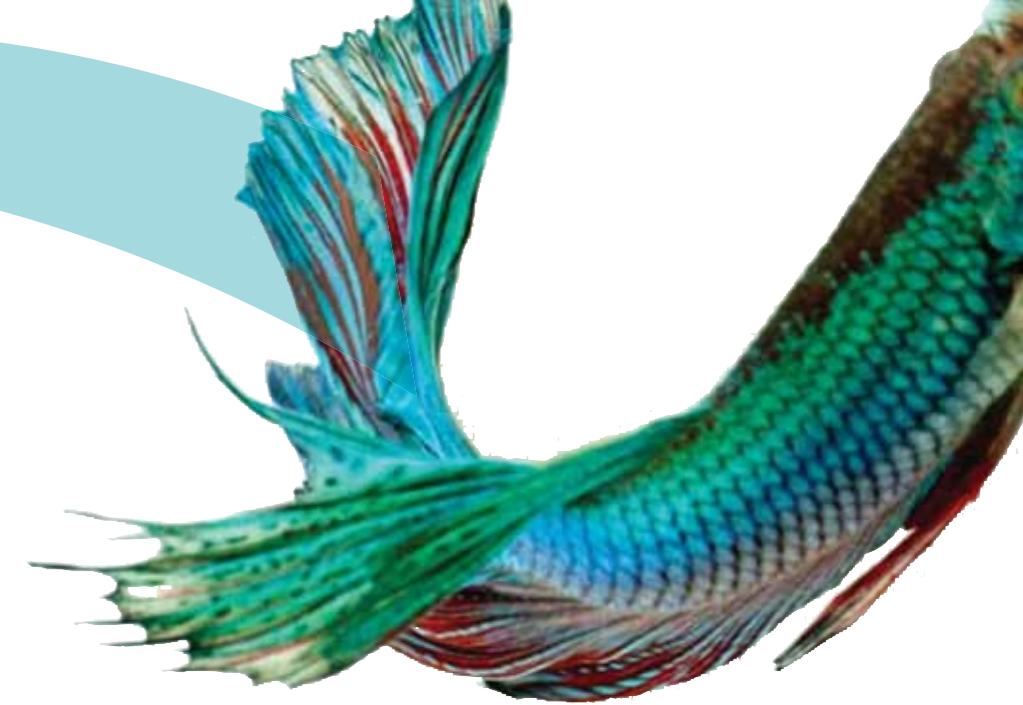
Ornamental fish will continue to be an important core business activity of our Group. We believe that we are the region's biggest exporter of ornamental fish capturing more than 5% of the world market share. Currently, we export to more than 80 countries around the world from our export hubs in Singapore, Malaysia, Thailand and China. With Indonesia becoming our 5th supply base, we are confident of increasing the number of countries that we export to, and will focus on high-growth regions such as the Middle East, Eastern Europe, China and India.

ESCALATION OF OUR EXPORT OF AQUARIUM AND PET ACCESSORIES

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

SUSTAINED GROWTH IN BREEDING AND SALES OF DRAGON FISH

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



INCREASE IN OUR SALES REVENUE AND CASH FLOW GENERATION

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

EXPANSION OF OUR REGIONAL DOMESTIC DISTRIBUTION NETWORK

Our headquarters in Singapore, together with our subsidiaries in Bangkok, Kuala Lumpur, Beijing, Shanghai, and Guangzhou distribute ornamental fish and aquarium and pet accessories in their respective countries. The Singapore base should record organic growth, but we anticipate that the Thailand, Malaysia, and China markets will continue to grow healthily with much untapped markets. In China, we intend to further increase our distribution points from the existing 231 points to approximately 280 points by end of 2011. Our newly set up joint venture in India will also enable us to expedite our penetration into the India market.





“

Qian Hu has been built on strong corporate values of commitment and teamwork. These will be the fundamental values that will take Qian Hu to higher levels of growth.

”

Alvin Yap

Deputy Managing Director
Qian Hu Corporation Limited

“

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

”

Robson Lee

Chairman, Audit Committee
Qian Hu Corporation Limited



“

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

”

Andy Yap

Deputy Managing Director
Qian Hu Corporation Limited



“

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

”

Low Eng Hua

Group General Manager
Qian Hu Corporation Limited



“

十周年对我来说是个重要的里程碑，仟湖集团在这十年来，经历了许多风风雨雨，也学习了很多。同样的我自己也学习了不少。科技知识，技术开发已经成为仟湖一个重要资源。我希望仟湖能继续朝这方向迈进。

”

Yap Kim Choon

Division Head
Wan Hu Division
Qian Hu Corporation Limited





“他（金利, Kenny）。。。最厉害就是整天飞来飞去。”

Mdm Ang Kim Sua
Kenny's mother

“从小，金利（Kenny）的爸爸一直把我当成自己的孩子，教我很多做人的道理。我在仟湖34年，看到仟湖到从两池的孔雀鱼到今天几千池鱼。主要是敢于改变，尝试，跟着时代走还有善用科技。在运送鱼与点算鱼的工作程序上做了很大的改变。”

Tho Thiam Chye
Senior Sales Manager
Qian Hu Division
Qian Hu Corporation Limited



“无论你姓什么，是什么种族，只要你在仟湖工作，你就是仟湖家族的一份子。”

Jimmy Yap
Retail Manager
Qian Hu Corporation Limited



“我的马来西亚鱼场是在2003年加入仟湖集团。仟湖是一间上市公司，接触面广，管理手法有系统，能有效的改善我过去传统的做法。”

Goh Siak Ngan
Managing Director
Kim Kang Aquaculture Sdn Bhd



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

Yap Kok Cheng
Management Trainee
Beijing Qian Hu Aquarium And Pets Co., Ltd



Group Financial Highlights

(5-YEAR STATISTICS)

	2010	2009	2008	2007	2006
For the year (\$'000)					
Revenue	91,163	94,611	93,062	91,720	76,111
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	8,653	12,776	12,520	10,977	8,307
Operating profit	5,299	9,440	9,191	7,919	5,311
Net profit attributable to equity holders	4,209	6,544	6,043	4,948	2,617
Operating Cashflow	4,507	12,238	9,819	8,650	9,362
Capital Expenditure	1,512	8,214	11,115	9,318	6,762
At year end (\$'000)					
Total Assets	107,409	103,767	100,512	88,823	75,589
Total Liabilities	34,379	34,547	37,778	33,190	26,837
Shareholders' Funds	73,030	59,226	53,591	47,998	42,487
Cash and Cash Equivalent	11,691	9,847	6,704	5,450	5,467
Key ratios					
Revenue growth (%)	(3.6%)	1.7%	1.5%	20.5%	14.9%
Net profit growth (%)	(35.7%)	8.3%	22.1%	89.1%	28.9%
Net profit margin (%)	4.6%	6.9%	6.5%	5.4%	3.4%
Debt-to-equity ratio (times)	0.47	0.50	0.60	0.60	0.54
Return on Shareholders' Funds (%)	6.2%	11.0%	11.3%	10.3%	6.2%
Return on Total Assets (%)	4.2%	6.3%	6.0%	5.6%	3.5%
Per share information (cents)					
Earnings per share	0.93	1.48	1.36	1.23*	0.64*
Net Assets per share	16.08	16.4	15.1	13.5**	37.9
Gross dividend per share - ordinary	0.50	0.50	0.20	-	0.6
Gross dividend per share - special	-	-	-	8.54	-
Market capitalisation (\$'million)					
at close of business on the first trading day after the announcement of audited results	59.03	74.02	39.45	68.18	42.53

*after adjustment for rights and warrants issue in 2007

** based on enlarged share capital after rights and warrants issue in 2007

Value-added Statement

	2010 \$'000	2009 \$'000
Revenue earned	91,163	94,611
Less: Purchase of goods	(69,992)	(69,817)
Gross value-added from operations	21,171	24,794
Other operating income	114	132
Exchange gain	496	422
Total value-added	21,781	25,348
Distribution:		
To employees in salaries and other related costs	12,471	11,908
To government in corporate and other taxes	1,050	2,045
To providers of capital:		
- Interest paid on borrowings from banks	501	688
Retained for re-investment and future growth		
- Depreciation and amortisation	2,791	2,634
- Accumulated profits	4,209	6,544
- Non-Controlling interests	308	1,101
Non-production cost and income:		
- Bad trade receivables and allowance for doubtful trade receivables	621	299
- (Write back of) Allowance for inventory obsolescence	(170)	129
Total distribution	21,781	25,348
PRODUCTIVITY DATA		
	2010	2009
Number of employees	719	638
Value-added per employee (\$'000)	30	40
Value-added per \$ of employment cost	1.75	2.12
Value-added per \$ sales	0.24	0.27
Value-added per \$ of investment in property, plant and equipment	0.35	0.40

Operating and Financial Review

BUSINESS REVIEW

Qian Hu is an integrated “one-stop” ornamental fish service provider ranging from breeding of Dragon Fish, farming, importing, exporting and distributing of ornamental fish as well as manufacturing of aquarium and pet accessories and distributing them to local and overseas customers.

Currently, Qian Hu has presence in six countries, namely, Singapore, Malaysia, Thailand, China, United Kingdom and India, which consists of nine subsidiaries and two associates (collectively known as “the Group”).

The Group has three main business activities - Ornamental fish, Accessories and Plastics. For the financial year ended 31 December 2010, the Group recorded revenue of \$91.2 million, of which approximately 88% was contributed by the core businesses Ornamental fish and Accessories, while Plastics contributed the remaining 12%. The Ornamental fish business accounted for the bulk of the Group’s operating profit at 49%, compared to 37% from Accessories and 14% by Plastics.

ORNAMENTAL FISH

The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming, wholesale and distribution activities. The Group imports ornamental fish from countries in Southeast Asia, South America and Africa. It currently exports over 1,000 species and varieties of ornamental fish directly to more than 80 countries as well as distributes to local retailers and exporters. The “Qian Hu” Dragon Fish is increasingly regarded as a premium brand in China.

Cold Storage and Carrefour. The export of aquarium and pet accessories has seen a healthy momentum of growth. Currently, the Group exports its accessories products to approximately 40 countries around the world.

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

ACCESSORIES

The distribution of accessories complements the ornamental fish operations by providing a “one-stop” shop to meet customers’ aquarium needs. The Group distributes more than 3,000 types of aquarium and pet accessories for more than 30 major manufacturers and principals to retailers in mainly Asia and Singapore, including supermarkets operated by NTUC FairPrice,

PLASTICS

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

FINANCIAL REVIEW

Revenue - Decreased by \$3.4 million or 3.6% mainly due to multiple whammies, including the unprecedented severe hot weather and unstable weather condition which has led to a lower supply of self-bred Dragon Fish; widespread airport closures and flight cancellations over European air space due to the Icelandic volcanic ash (in end April and early May) and heavy snowfall (in December); political riots in Bangkok and the weakening purchasing sentiments from the European markets in anticipation of the curb in the government’s budget spending has dampened the demand for the Group’s products in that region.

Gross profit – Decreased by \$3.5 million or 10.6% mainly due to a decrease in revenue generated coupled with a lower gross profit margin registered as a result of differences in product mix, especially the reduction in the supply of self-bred Dragon Fish available for sale during the financial year.

Profit before income tax – Decreased by \$4.1 million or 43.9% due to a decline in gross profit mentioned above coupled with a marginal increase in operating expenses. The amount of operating expenses incurred in FY 2010 was \$0.6 million or 2.6% higher as compared to that of FY 2009 mainly due to increase in staff costs as a result of increase in overall headcount and the annual salary revision. Financial expenses, however, has decreased mainly due to lower interest rates charged by financial institutions during the financial year.

Income tax expense – Decreased by \$1.0 million or 56.4% on the back of lower operating profit. The lower effective tax rate of 16.9% in the current financial year as compared to 19.1% in FY 2009 was due to lower profit contribution from entities with a higher tax rate in FY 2010.

Profit attributable to equity holders of the Company – Decreased by \$2.3 million or 35.7% as a result of lower revenue and profit generated. Net profit margin declined by 3.1 percentage point to 5.0%.

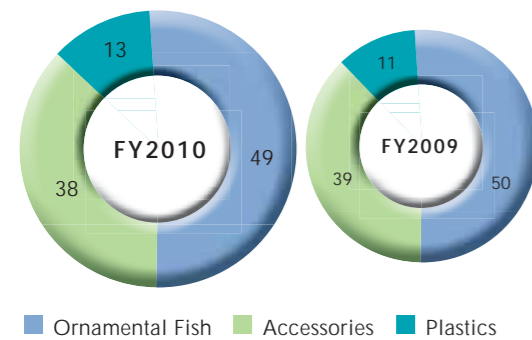
INCOME STATEMENT

	2010 \$'000	2009 \$'000	Change %
Revenue			
- Ornamental Fish	45,175	46,993	(3.9)
- Accessories	34,433	37,029	(7.0)
- Plastics	11,555	10,589	9.1
Total revenue	91,163	94,611	(3.6)
Less : Cost of sales	(61,916)	(61,901)	0.0
Gross profit	29,247	32,710	(10.6)
Add : Other operating income	114	132	(13.6)
Less : Operating expenses	(23,995)	(23,382)	2.6
Operating profit	5,366	9,460	(43.3)
Add : Share of losses of associates	(67)	(20)	235.0
Profit before income tax	5,299	9,440	(43.9)
Less : Income tax expense	(782)	(1,795)	(56.4)
Profit for the year	4,517	7,645	(40.9)
Attributable to:			
Equity holders of the Company	4,209	6,544	(35.7)
Non-controlling interests	308	1,101	(72.0)
Profit for the year	4,517	7,645	(40.9)

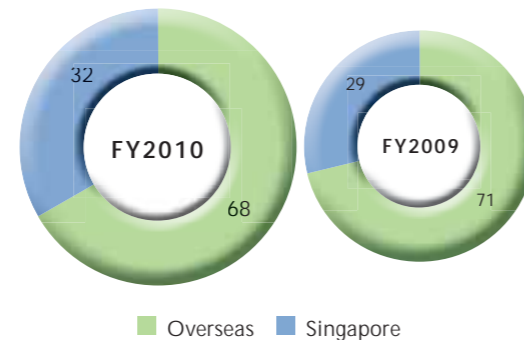
Operating and Financial Review

REVENUE

REVENUE BY BUSINESS ACTIVITIES (%)

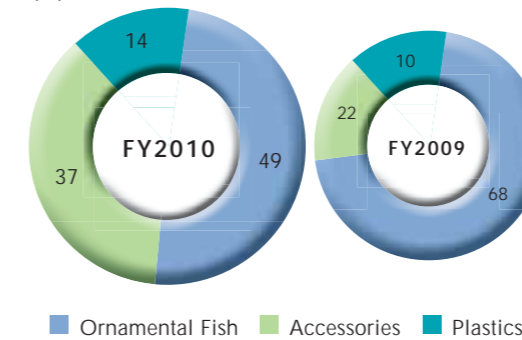


REVENUE BY GEOGRAPHICAL LOCATION (%)

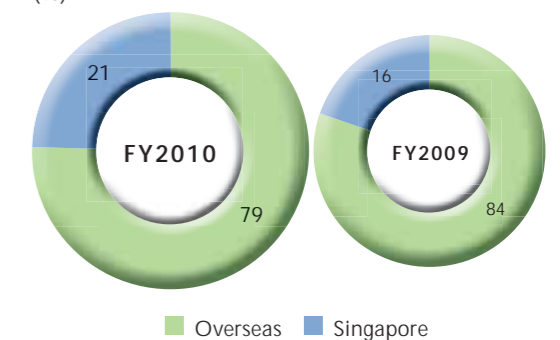


PROFITABILITY

PROFIT BY BUSINESS ACTIVITIES (%)



PROFIT BY GEOGRAPHICAL LOCATION (%)



	Financial year ended 31 Dec		Increase (Decrease)	
	2010 \$'000	2009 \$'000	\$'000	%
Ornamental Fish	45,175	46,993	(1,818)	(3.9)
Accessories	34,433	37,029	(2,596)	(7.0)
Plastics	11,555	10,589	966	9.1
	91,163	94,611	(3,448)	(3.6)

	Financial year ended 31 Dec		Increase (Decrease)	
	2010 \$'000	2009 \$'000	\$'000	%
Ornamental Fish	3,747	8,103	(4,356)	(53.8)
Accessories	2,790	2,631	159	6.0
Plastics	1,104	1,145	(41)	(3.6)
Unallocated corporate expenses	(2,342)	(2,439)	97	4.0
	5,299	9,440	(4,141)	(43.9)

The Group's revenue decreased by \$3.4 million or 3.6% from approximately \$94.6 million for the year ended 31 December 2009 to \$91.2 million for the year ended 31 December 2010.

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

ORNAMENTAL FISH

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

- Although the supply of self-bred Dragon Fish from the Malaysia farm resumed in the 2nd quarter of 2010, after the production was affected by the unprecedented severe hot weather during the 1st quarter of 2010 till early April, the quantity of these self-bred Dragon Fish available for sales in FY 2010 was lower than that in FY 2009 when there was a constant supply of self-bred Dragon Fish throughout the year. Nevertheless, the Group recorded healthy sales from its self-bred Dragon Fish, notwithstanding the revenue registered from these sales was lower than in FY 2009.
- Widespread airport closures and flight cancellations over European air space from mid-April to early May as a result of the Icelandic volcanic ash and again in the month of December as a result of heavy snowfall has affected the ornamental fish shipments to various European countries during this period. This has a negative impact on the revenue of the ornamental fish as more than 20% of the Group's revenue is from European countries.
- The FIFA World Cup football tournament held in June to July this year has also affected the export of ornamental

fish to many countries over the world as it has been the norm that consumers do not actively make ornamental fish related purchases during the duration of the tournament.

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

ACCESSORIES

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

PLASTICS

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

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

ORNAMENTAL FISH

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

- Although the supply of the self-bred Dragon Fish resumed in the 2nd quarter of 2010 after the production was affected by the unstable weather condition, the quantity of these self-bred Dragon Fish available for sales is lower than when there was a constant supply of self-bred Dragon Fish throughout the year. The reduction in the supply of self-bred Dragon Fish has affected the profitability of the Dragon Fish sales since the 2nd quarter of 2010 as sales of self-bred Dragon Fish yielded better margin as compared to the sales of Dragon Fish sourced from third parties.
- As revenue contribution from the export of ornamental fish was affected by the closure of the Europe airspace, low business activities during the FIFA World Cup period, stronger SGD dollar and the weakening purchasing sentiments from the European markets, the operating profit from the ornamental fish business reduced accordingly.
- More resources have to be deployed to fulfill the necessary requirements in order to comply with the newly implemented European Union (EU) regulations on the export and import of ornamental fish. The stricter

regulations imposed has also affected the regular supply of ornamental fish from certain of the suppliers which led to the exploring of other "non-traditional" markets for alternative supply of ornamental fish at a higher cost.

ACCESSORIES

Notwithstanding a reduction in revenue recorded in the current financial year as compared to in FY 2009, the operating profit from accessories business increased marginally due to better profit margin contributions from the export of accessories. In addition, with the reduction in production orders received from its OEM customers, the Guangzhou factory has since utilised its surplus factory capacity to produce a range of newly developed revolutionary filtration system which employed the "Hydro-Pure" technology that is able to improve water quality by as much as 50%, which has lifted the profitability of the accessories business in FY 2010.

PLASTICS

During the current financial year, despite registering an increase in revenue contribution, the operating profit from the plastics activities dipped marginally mainly due to higher raw material costs (resins) in the 2nd quarter of 2010 which has eroded the profit margin, as well as the difference in product mix recorded in both financial years.

UNALLOCATED CORPORATE EXPENSES

These were staff costs and administrative expenses incurred in relation to the overseeing of both the Group's local and overseas operations. The marginally lower corporate expenses reported in FY 2010 were due to conscientious effort made to contain operating costs, which was in accordance with the Group's objective to be more productive and efficient in the long run.

FINANCIAL POSITION

Total assets – Increased by \$3.6 million as at 31 December 2010. Decrease in property, plant & equipment and brooder stocks were due to the depreciation charge for the financial year. Increase in inventory was as a result of higher raw materials held in the Guangzhou factory to fulfill new production orders due for delivery in the coming quarter. Increase in trade & other receivables were mainly due to higher credit sales generated in the last quarter of FY 2010.

Total liabilities – Decreased by \$0.2 million as at 31 December 2010 mainly due to decrease in total bank borrowings by \$0.5 million as a result of the settlement of bank borrowings from financial institutions with cash generated from operations during the financial year and the decrease in tax liabilities due to lower profit registered by the Group. The reduction was partially offset by the increase in trade & other payables mainly due to increase in the purchase of raw materials held by the Guangzhou factory.

Shareholders' funds – Increased from \$59.2 million as at 31 December 2009 to \$62.7 million as at 31 December 2010. The increase was attributed mainly to profit attributable to equity holders for the financial year.

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

- **Total assets**
- Property, plant and equipment
- Brooder stocks
- Inventories
- Trade and other receivables
- Cash and cash equivalents
- **Total liabilities**
- Trade and other payables
- Tax liabilities
- Bank borrowings
- **Total shareholders' funds**
- **Total non-controlling interests**

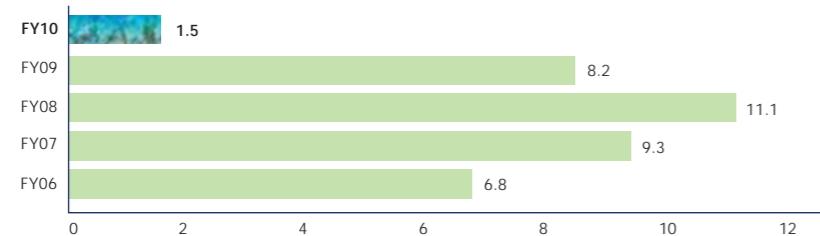
	2010 \$'000	2009 \$'000	Change %
Total assets	107,409	103,767	3.5
- Property, plant and equipment	13,783	15,942	(13.5)
- Brooder stocks	30,250	30,316	(0.2)
- Inventories	25,367	22,459	12.9
- Trade and other receivables	21,478	20,386	5.4
- Cash and cash equivalents	11,691	9,847	18.7
Total liabilities	34,379	34,547	(0.5)
- Trade and other payables	12,937	12,380	4.5
- Tax liabilities	5,048	5,307	(4.9)
- Bank borrowings	16,394	16,860	(2.8)
Total shareholders' funds	62,723	59,226	5.9
Total non-controlling interests	10,307	9,994	3.1

CAPITAL EXPENDITURE

In FY 2010, capital expenditure incurred were mainly for the enhancement of infrastructure and farm facilities in Singapore and overseas. With completion of the construction and expansion of the Dragon Fish breeding

and farming facilities in Singapore and Malaysia in FY 2009, the Group does not foresee any substantial capital expenditure going forward, other than the on-going maintenance of its farm facilities.

CAPITAL EXPENDITURE
(S\$ million)



CAPITAL STRUCTURE & FINANCIAL RESOURCES

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

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

Cash & Cash Equivalents

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

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

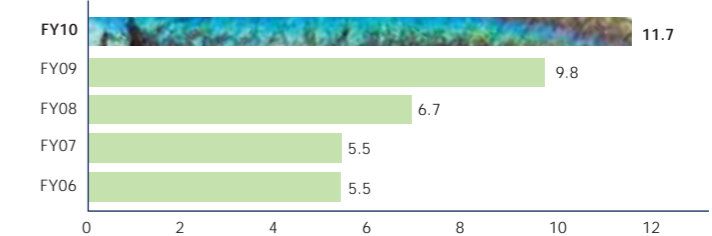
Net cash from investing activities was mainly related to sales proceeds from the disposal of two plots of land in the Malaysia farm. The amount was partially offset by the capital expenditure incurred for on-going enhancement to the infrastructure and farm facilities in Singapore and overseas.

During the current financial year, there were cash proceeds received from the issuance of new shares arising from exercise of warrants which were utilised for the repayment of bank loans, dividend payment made to the non-controlling shareholder of a subsidiary and the settlement of finance lease liabilities on a monthly basis, as well as the servicing of interest payments. The above, coupled with the payment of final dividend to the shareholders of the Company in April 2010, resulted in the **net cash used in financing activities**.

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

	2010 \$'000	2009 \$'000
● Net cash from operating activities	4,057	12,238
● Net cash from (used in) investing activities	443	(7,187)
● Net cash used in financing activities	(2,708)	(1,929)
Net increase in cash and cash equivalents	1,792	3,122
Cash and cash equivalents as at end of year	11,691	9,847

CASH AND CASH EQUIVALENTS
(S\$ million)



Operating and Financial Review

Borrowings

The Group borrows from local and foreign banks in the form of short-term and long-term loans. All of the Group's current year borrowings are unsecured. The Group has complied with all the borrowing covenants for the financial year ended 31 December 2010.

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

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

The long-term loans outstanding as at 31 December 2010, taken by a subsidiary, comprise:

- a 10-year unsecured bank loan of RM2.5 million, bears interest at 7.80% (2009: 7.05%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- a 5-year unsecured bank loan of RM3.0 million, bears interest at 7.30% (2009: 6.55%) per annum and is repayable in 60 monthly instalments commencing May 2009.

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

The Group has classified long-term bank term loans of \$0.8 million (2009: \$1.7 million) not scheduled for repayment within twelve months from the reporting date as current liabilities as the Group does not have the unconditional right at the reporting date to defer settlement for at least twelve months after the reporting period and these loans can be called by the bank lenders at any time even if there is no default. The comparative amounts have been reclassified for consistency.

Current liabilities:

- Bills payable to banks (unsecured)
- Finance lease liabilities
- Short term bank loans (unsecured)
- Long term bank loans
 - Secured
 - Unsecured

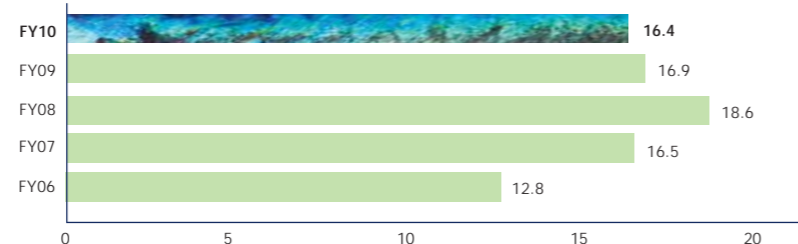
Non-current liabilities:

- Finance lease liabilities

Total borrowings

	2010 \$'000	2009 \$'000
Bills payable to banks (unsecured)	4,363	4,290
Finance lease liabilities	178	180
Short term bank loans (unsecured)	10,300	9,800
Long term bank loans		
- Secured	-	74
- Unsecured	1,180	2,194
Total	16,021	14,803
Finance lease liabilities	373	322
Total borrowings	16,394	16,860

BORROWINGS
(S\$ million)



Corporate Guarantees

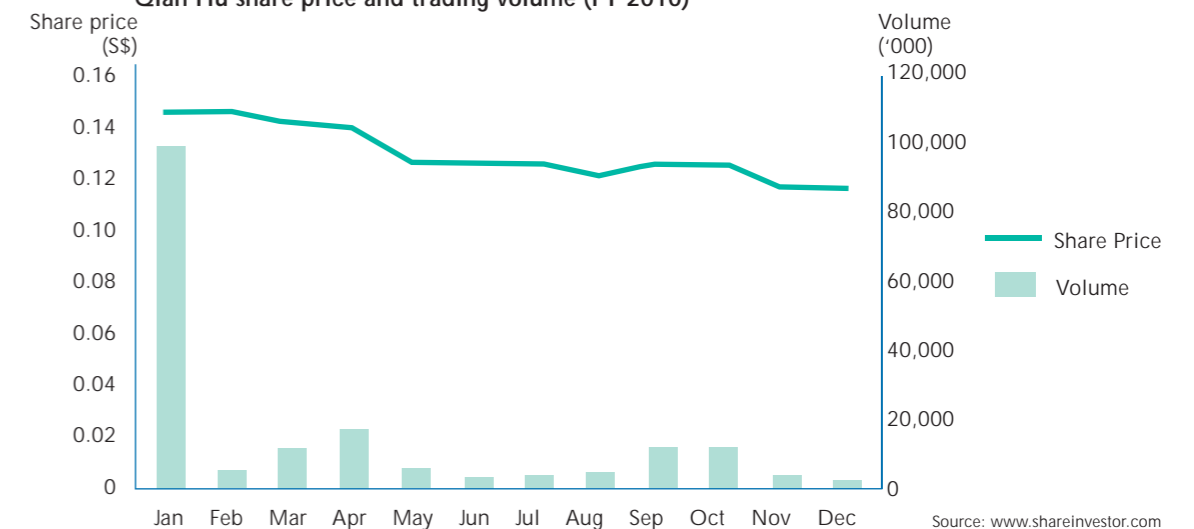
As at 31 December 2010, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$11.2 million (2009: \$11.0 million), of which approximately \$5.0 million (2009: \$5.8 million) had been utilised.

SHAREHOLDER RETURNS

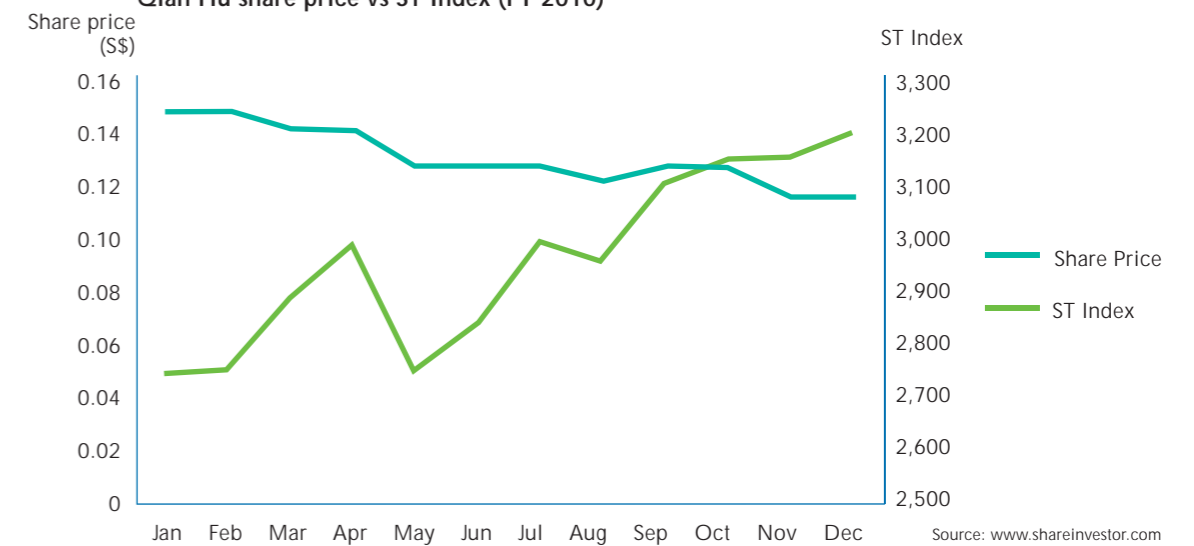
Although the Group has not set a concrete dividend policy at present, it has always aimed to reward its loyal and supportive shareholders. Qian Hu paid a first and final cash dividend of 0.5 cents per ordinary share for the financial year 2009. For the financial year ended 31 December 2010, the Directors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

The proposed dividend took into consideration the Group's profit growth, cash position, positive cash flow generated from operations and the projected capital requirements for business growth. With minimal capital expenditure and investment in the foreseeable future, coupled with the cash management skill at work and the consistency in generating cash from operating activities, the Group is moving towards becoming a debt-free company with high dividend payout.

Qian Hu share price and trading volume (FY 2010)



Qian Hu share price vs ST Index (FY 2010)



RISK FACTORS AND RISK MANAGEMENT

Risk management forms an integral part of business management. The Group's risk and control framework is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures. It makes management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks. The risk management and control procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

The following set out an overview of the key risks faced by Qian Hu, the nature and the extent of the Group's exposure to these risks and the approach to managing these risks.

MARKET RISK

The Group currently operates in six countries with assets and activities spreading across the Asia Pacific. The subsidiaries and associates in these countries are exposed to changes in government regulations and unfavourable political developments, which may limit the realisation of business opportunities and investments in those countries. In addition, the Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets. Although these circumstances may be beyond its control, the Board and the management consistently keep themselves up-to-date on the changes in political, economic and industrial developments so as to be able to anticipate or respond to any adverse changes in market conditions in a timely manner.

As at 31 December 2010, approximately 66% of the Group's assets are located overseas, while revenue from overseas' customers constitute approximately 68% of the total revenue in FY 2010. In view of the Group's growth prospects, the percentage of its overseas assets and activities will continue to increase moving forward. The effect of greater geographical diversification reduces the risk of concentration in a single operation.

OPERATIONAL RISK

Operational risk is the potential loss caused by a breakdown in internal process, deficiencies in people and management, or operational failure arising from external events. The Group strives to minimise unexpected losses and manage expected losses through a series of quality and people management programmes, as well as through business continuity planning. The Group has been awarded ISO 9002 certification for its local businesses as well as its overseas subsidiaries. It has also achieved ISO 14001 certification for its environmental management system to preserve natural resources and minimise wastage.

Although Qian Hu has always been viewed as a family business largely run and controlled by the Yap family, it is in fact run by a team of dedicated Qian Hu family members and professional managers, not solely by the Yap family members. Although no individual is indispensable, the loss of specialised skills and the leadership of the Executive Chairman & Managing Director, Mr Kenny Yap, and the other founding members, including the key management, could result in business interruptions and a loss in shareholders' confidence. To dispel the worries, the Group has since put in place a structured succession planning programme to identify and develop a team of talented employees based on their merit – family members are not given special preferences – who can take Qian Hu to the next lap of growth. The Group believes that training a team of next-generation leaders is critical to the continuity of the business which should last beyond this generation.

PRODUCT RISK

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds at any one point in time is uncommon. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for the fishes. Currently, all the Group's domestic and overseas fish operations have attained ISO 9002 certification, including the breeding of Dragon Fish. There is no known disease that is fatal to the Dragon Fish because of its primitive and prehistoric origin.

Although Dragon Fish sales contributed approximately 20% of the Group total revenue for the year ended 31 December 2010, we sell over 1,000 species and varieties of ornamental fish and more than 3,000 kinds of accessories products to more than 80 countries and are not solely reliant on the sale of any particular type or species of fish or accessories products. The Group is diversified in both its products and markets.

Additionally, the Group has formed a R&D team in FY 2009, focusing on research of Dragon Fish breeding behaviour, fish disease diagnosis and cure, product innovation on aquarium accessories, and new form of ornamental fish farming technology.

INVESTMENT RISK

The Group grows businesses through organic growth of its existing activities, development of new capabilities (e.g. setting up retail chain stores) and through new ventures with business partners. Business proposals and investment activities are evaluated through the performance of due diligence exercise and where necessary,

supported by external professional advice. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.

FOREIGN EXCHANGE RISK

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

The Group does not have any formal hedging policy against foreign exchange fluctuations. However, it continuously monitor the exchange rates of major currencies and enter into hedging contracts with banks from time to time whenever the management detects any movements in the respective exchange rates which may impact the Group's profitability.

Foreign currencies received are kept in foreign currencies accounts and are converted to the respective measurement currencies of the Group's companies on a need-to basis so as to minimise foreign exchange exposure.

CREDIT RISK

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due. Credit risk is managed through the application of credit approvals, performing credit evaluations, setting credit limits and monitoring procedures.

None of the Group's customers or suppliers contributes more than 5% of its revenue and purchases. It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. Cash terms, advance payments are required for its customers with lower credit standing.

While the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Accordingly, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

INTEREST RATE RISK

Interest rate risk is managed by the Group on an on-going basis with the objective to limit the extent to which the Group's results could be affected by an adverse movement in interest rate.

The Group's cash balances are placed with reputable banks and financial institutions. For financing obtained 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.

The Group is progressively improving its debt position and it aims to move towards becoming a debt-free company will also address this risk.

LIQUIDITY RISK

The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations as and when they fall due. To manage liquidity risk, the Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows. Over the years, the Group has enhanced its ability to generate cash from operating activities; accordingly, the Group envisages that its cash position will continue to improve, hence reducing liquidity risk.

DERIVATIVE FINANCIAL INSTRUMENT RISK

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

Investor Relations

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

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

Our results briefings, which are meant to give the investment community a deeper understanding of our business and industry, are chaired by the Group's Executive Chairman, Deputy Managing Directors and Finance Director who are available to address any issues during and at the end of the briefings. Those who cannot attend the results briefings have the option to listen in through the live audio-cast and post questions

in real-time, or watch the events through recorded video webcasts at their own leisure. Since 2005, we have been compiling information kits given out at our year-end results briefings. From our knowledge, we are probably the only company to have a Chairman's Message, press releases, presentation slides, Financial Statements and Factsheet spiral bound in one colourful "mini annual report" given out each year. We interface with retail investors through our website www.qianhu.com which is updated regularly so that the investing public and shareholders can get the latest announcements, news releases and financial results.

We actively engage the investment community through analyst visits to our farm, as well as regular roadshows to the various securities firms in Singapore. Qian Hu's share performance is covered by research houses such as CIMB-GK Research,

Phillips Securities Research and NRA Capital. Our goal is to grow our business and market capitalisation to a point that will attract more institutional interest and equity research coverage.

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



AWARDS & ACCOLADES

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

In 2009, Qian Hu was the first company in the history of the Singapore Corporate Awards

to bag four awards in the same year, namely, Best Managed Board (Merit); Chief Financial Officer of the Year; Best Investor Relations (Bronze) and Best Annual Report (Gold), amongst listed companies with less than \$300 million in market capitalisation.

In 2010, Qian Hu was the first SME to be awarded Gold for Best Managed Board at the Singapore Corporate Awards.



People Development

Our people are our biggest asset and it is pivotal that we remain committed in engaging and developing our staff to their fullest potential, thereby nurturing a competent workforce that is able to contribute effectively to Qian Hu's growth.

OUR HR PHILOSOPHY

People Excellence is one of the four strategic thrusts that the senior management are committed to since 2000. Alongside the other three strategic thrusts - Customer Focus, Quality Excellence and Financial Strength - these values place Qian Hu in a balanced perspective that sustains the Group's core activities. In November 2009, Qian Hu was awarded the People Excellence Award which complements Spring Singapore's Singapore Quality Award (SQA). This demonstrated our commitment to continuous

improvement as well as our strive for a high standard of management through staff development and human resource management.

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

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

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

STAFF COMMUNICATIONS

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

TRAINING

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

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



People Development



FEEDBACK PLATFORMS

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

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

into a checklist to evaluate the effectiveness of the managers' efforts.

QIAN HU'S SUCCESSION PLANNING

Succession planning is an essential process for maintaining growth momentum and business continuity, no matter how certain the future holds. We recognise that no one is indispensable, but the absence or loss of key management can be detrimental, resulting in a loss of shareholder confidence. Modelling after the succession planning policies in some of the larger organisations,

Qian Hu has put in place a structured succession planning programme as early as 2004 because we believe that some 10 to 15 years would be required to train a team of next generation leaders.

We are not looking for a single talent, but rather a cohesive team that will take Qian Hu to the next lap of growth. A member from this team will become the CEO of the next generation of senior management, and selection will

be based on a number of stringent criteria such as, assessments from the Board's nominating committee; peer appraisals; and their individual track record and performance. Performance recognition at Qian Hu has always been, and will always be, based on merit - family members will not be given any special preferences. The person whom we are grooming to be Qian Hu's future CEO must embrace our corporate culture and values wholeheartedly. He (or she) must be able to put the interest of the company before his (or her) personal interest, be able to handle stress, and yet be hungry and ambitious. This is necessary because the Group must not rest on its laurels but continue to pursue, progress and evolve, otherwise, we will be out of the race.

With the current senior management as their mentors, all of our management trainees are rotated to handle different portfolios. Those who are capable must be able to take on overseas assignments and be able to reliably perform in challenging environments.

EMPLOYEE PROFILE

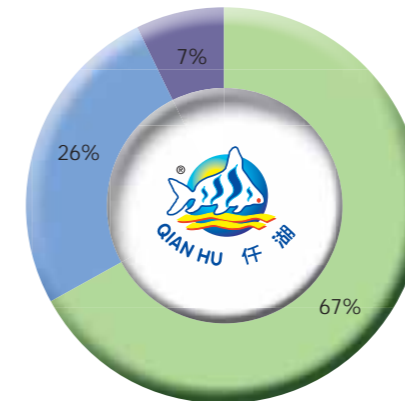
Qian Hu has 145 employees in its Singapore operation and a total workforce of 719 employees including those in its overseas subsidiaries.

Employee Statistics

Level	No. of Staff
Key Management	56
Middle and Junior Management	141
Administration and Clerical	522
Total	719

Statistics on Length of Service

Year of Service	No. of Staff
Less than 5 years	481
Between 5 to 10 years	187
More than 10 years	51
Total	719



Length of Service

■ Less than 5 years ■ Between 5 to 10 years ■ More than 10 years

Statistics on Education Qualification

Qualification	No. of Staff
Degree and above	97
Diploma and equivalent	160
Secondary and below	440
Skill Certificate	22
Total	719

Comparison of our current senior management team and our succession team

	Current Management Team	Succession Team
Average age	47	29
Number of team members	14	20
Nationalities	Mostly Singaporeans	Singaporeans, Thai, Malaysians
Highest Education Level	MBA	PHD
Lowest Education Level	Primary 6	Diploma

Corporate Social Responsibility

Qian Hu recognises that Corporate Social Responsibility (CSR) plays an important role in building the confidence and goodwill of our stakeholders, and maintaining our commitment to the society and environment given our standing as a leading ornamental fish and pet accessories company. Our CSR policy is built upon the premise that "All lives should be cherished and treasured". We aim to align our economic interests with those concerning the environment and community. At Qian Hu, we aspire to be an organisation with a big heart – one that is continually aware of any impact that our business activities or actions may have on the environment, as well as the needs of the underprivileged around us. We continually instill these values in our people, believing that our CSR commitment and involvement will see us through in the long haul.

OUR ENVIRONMENT

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

Qian Hu fully complies with the regulatory requirements of our ISO14001 - certified Environmental Management System, where we strive to preserve and recycle our natural resources in our daily activities. Not neglecting the plight

of endangered wildlife, our entire operations are also compliant with the standards set out by the United Nations' Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).



OUR COMMUNITY

Extending our care and concern to the community has been part of our family culture and we take pride in our community work. For the last nine years, our contribution to charity – approximately 1.3% of pre-tax profit – has stayed above the national average index of 0.22%. This year, our Annual Charity fundraising event was held at our farm for the second time. The 2010 Charity

Farm Fair, held over the weekend of 20 and 21 November 2010, managed to raise \$16,000 for two charities, namely the Red Cross Home for the Disabled and Geylang East Home for the Aged.

We strongly believe that participation in social activities for the social and business community will have a positive impact on the physical and social well-being of

our employees, hence, we remained active in social work during the year and continue to organise visits to old folks home, and provide free farm tours and the use of our facilities for the underprivileged. Some of our directors and senior managers have also been actively sharing their management experiences with the business community.



Financial Calendar

2010

11 January

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

16 March

Annual General Meeting

12 April

Payment of dividend

19 April

1Q 2010 results announcement

19 July

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

18 October

3Q 2010 results announcement

2011

12 January

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

11 March

Annual General Meeting

8 April

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

18 April

1Q 2011 results announcement

18 July

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

17 October

3Q 2011 results announcement



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