QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

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QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT AND LOSS FOR THE FOURTH QUARTER AND FINANICAL YEAR ENDED 31 DECEMBER 2008**

	Note	Group 3 months ended 31 Dec 2008 $'000	Group 3 months ended 31 Dec 2007 $'000	Change %	Group Financial year ended 31 Dec 2008 $'000	Group Financial year ended 31 Dec 2007 $'000	Change %
Revenue		22,859	24,623	(7.2)	93,062	91,720	1.5
Cost of sales		(14,799)	(16,712)	(11.4)	(59,992)	(60,175)	(0.3)
Gross profit		8,060	7,911	1.9	33,070	31,545	4.8
Other operating income	i	35	17	105.9	161	210	(23.3)
		8,095	7,928	2.1	33,231	31,755	4.6
Selling & distribution expenses	ii	(532)	(477)	11.5	(2,698)	(2,805)	(3.8)
General & administrative expenses	ii	(4,998)	(5,110)	(2.2)	(20,438)	(20,223)	1.1
Profit from operations	iii	2,565	2,341	9.6	10,095	8,727	15.7
Financial income	iv	3	1	200.0	21	7	200.0
Financial expenses	iv	(217)	(207)	4.8	(876)	(839)	4.4
		2,351	2,135	10.1	9,240	7,895	17.0
Share of (losses) profit of associate		(9)	6	(250.0)	(49)	24	(304.2)
Profit before taxation		2,342	2,141	9.4	9,191	7,919	16.1
Taxation	v	(290)	(222)	30.6	(1,790)	(1,602)	11.7
Profit for the period/year		2,052	1,919	6.9	7,401	6,317	17.2
Attributable to:							
Equity holders of the Company		**1,736**	**1,578**	**10.0**	**6,043**	**4,948**	**22.1**
Minority interests		316	341	(7.3)	1,358	1,369	(0.8)
		2,052	1,919	6.9	7,401	6,317	17.2
Gross profit margin		35.3%	32.1%		35.5%	34.4%	
Net profit margin		9.0%	7.8%		8.0%	6.9%	
Return on equity		-	-		11.8%	11.4%	

Notes to Statement of Profit and Loss

(i) Other operating income

The amount of other operating income earned in the current financial year was lower as compared to that of 2007 mainly due to higher gain on disposal of property, plant and equipment of approximately $96K in 2007 recorded as compared to $64K in 2008.

Notes to Statement of Profit and Loss (cont'd)

(ii) **Selling & distribution expenses**
General & administration expenses

The total amount of operating expenses incurred in the 4th quarter of 2008 and FY 2008 were relatively consistent as compared to that of its corresponding periods in 2007.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Auditors' remuneration				
- auditors of the Company	20	23	74	80
- other auditors	9	12	25	29
Non-audit fees				
- other auditors	20	31	39	55
Directors' fees				
- directors of the Company	14	17	54	45
Directors' remuneration				
- directors of the Company	314	272	1,152	1,049
- directors of subsidiaries	170	137	558	666
Amortisation of product listing fees	3	12	18	43
Bad trade receivables				
- written off	4	6	10	7
- recovered	-	-	(17)	-
Depreciation of				
- property, plant and equipment	481	440	1,897	1,832
- brooder stocks	140	107	510	374
Property, plant and equipment written off	5	1	11	2
(Gain) Loss on disposal of				
- property, plant and equipment	(24)	(4)	(64)	(96)
- quoted equity investment	-	-	-	1
Allowance for (Write back of)				
- doubtful trade receivables	96	92	195	593
- inventory obsolescence	(35)	(116)	(22)	(3)
Operating lease expenses	273	191	955	732
Personnel expenses *	2,857	3,106	12,098	11,718
Exchange (gain) loss, net	(231)	62	(515)	(271)
Change in fair value less estimated point-of-sale costs	275	324	275	324

* Included directors' remuneration.

Notes to Statement of Profit and Loss (cont'd)

(iv) **Financial expenses - net**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Interest expenses				
- bank loans and overdrafts	158	144	609	563
- bills payable	52	54	232	241
- finance lease obligation	7	9	35	35
	217	207	876	839
Interest income				
- bank deposits	(3)	(1)	(21)	(7)
Net financial expenses	214	206	855	832

The increase in interest expenses in the 4th quarter of 2008 and for the year ended 31 December 2008 was mainly due to interest incurred on higher amount of bank borrowings during the financial year.

(v) **Taxation**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Current tax				
- current year	346	229	1,123	1,230
- over provision in respect of prior years	(126)	(141)	(126)	(141)
Deferred tax				
- temporary differences	105	356	828	735
- reduction in tax rate	-	(146)	-	(146)
- over provision in respect of prior year	(35)	(76)	(35)	(76)
	290	222	1,790	1,602

The tax charge for the 4th quarter of 2008 and for FY 2008 were higher than the amount obtained by applying the statutory tax rate on profit before taxation mainly due to varying statutory tax rates of different countries in which the Group operates.

As at 31 December 2008, the Group has unutilised tax losses and unabsorbed capital allowances of approximately $2,493,778 (2007: $3,486,677) and $Nil (2007: $467,621) respectively available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate. The potential deferred tax assets have not been recognised in the financial statements because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

QIAN HU CORPORATION LIMITED
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1(b) **BALANCE SHEETS**

	Note	Group		Company	
		31 Dec 2008	**31 Dec 2007**	**31 Dec 2008**	**31 Dec 2007**
		$	$	$	$
Equity attributable to equity holders of the Company					
Share capital	i	29,411,915	29,295,961	29,411,915	29,295,961
Reserves		24,179,248	18,701,650	13,427,936	10,859,010
		53,591,163	**47,997,611**	**42,839,851**	**40,154,971**
Minority Interests		9,143,011	7,635,185	-	-
Total Equity		**62,734,174**	**55,632,796**	**42,839,851**	**40,154,971**
Non-Current Assets					
Property, plant and equipment		14,639,378	12,438,592	4,680,364	2,653,895
Brooder stocks	ii	26,745,893	21,365,162	1,196,790	1,225,980
Investments in subsidiaries	iii	-	-	11,991,086	11,152,586
Investment in associate	iv	787,794	836,467	812,600	812,600
Intangible assets	v	2,205,392	2,139,436	239,772	173,816
Current Assets					
Inventories	vi	22,385,773	22,008,603	7,512,040	6,715,116
Breeder stocks	vii	1,595,170	1,420,870	444,690	245,800
Trade receivables	viii	20,712,162	17,606,700	7,118,439	6,840,494
Other receivables, deposits and prepayments	ix	2,604,894	1,835,473	1,103,238	578,626
Due from					
- subsidiaries (trade)		-	-	18,842,672	16,689,951
- subsidiaries (non-trade)		-	-	2,624,119	2,855,941
- associate (trade)		508,334	1,655,630	508,334	1,655,630
Fixed deposits		24,560	23,706	24,560	23,706
Cash and bank balances		8,302,611	7,492,720	5,469,044	4,744,282
		56,133,504	52,043,702	43,647,136	40,349,546
Current Liabilities					
Trade payables		9,189,826	7,356,060	3,383,071	2,740,663
Bills payable to banks (unsecured)	x	4,156,350	5,002,650	638,044	1,341,255
Other payables and accruals	xi	5,182,697	4,782,181	3,992,125	3,763,148
Due to					
- subsidiaries (trade)		-	-	88,614	50,842
- subsidiaries (non-trade)		-	-	810,000	480,000
- minority shareholder of a subsidiary (non-trade)		122,171	869,356	-	-
Finance lease obligations	xii	172,640	164,849	72,703	59,732
Bank term loans	xiii	10,268,215	7,357,093	10,000,000	7,100,000
Provision for taxation		1,058,178	775,093	535,299	469,275
Bank overdrafts (unsecured)		1,623,138	2,066,483	-	-
		31,773,215	28,373,765	19,519,856	16,004,915
Net Current Assets		24,360,289	23,669,937	24,127,280	24,344,631
Non-Current Liabilities					
Finance lease obligations	xii	(351,917)	(331,987)	(108,041)	(73,537)
Bank term loans	xiii	(2,058,459)	(1,545,566)	-	-
Deferred taxation		(3,594,196)	(2,939,245)	(100,000)	(135,000)
Net Assets		**62,734,174**	**55,632,796**	**42,839,851**	**40,154,971**

1(b) **BALANCE SHEETS (cont'd)**

	Group		Company	
	31 Dec 2008	**31 Dec 2007**	**31 Dec 2008**	**31 Dec 2007**
Inventory turnover (days)	145	142	86	65
Trade receivables turnover (days)	75	67	56	53
Debt equity ratio	0.60	0.60	0.46	0.40

Notes to Balance Sheets

(i) Share capital

	Number of shares	$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2008	411,911,279	29,295,961
Issue of new shares		
- Exercise of warrants issued	3,312,990	115,954
Balance as at 31 Dec 2008	415,224,269	29,411,915

As at 31 December 2008, there were no (2007: Nil) unissued ordinary shares in the Company under options granted to eligible employees of the Group, including associates of controlling shareholders of the Company, under the Qian Hu Post-IPO Share Option Scheme.

The Company issued 64,965,868 warrants in September 2007, of which 22,115,477 were exercised by warrant holders to subscribe for 22,115,477 new ordinary shares of the Company at the exercise price of $0.035 per share as at 31 December 2007. During the financial year ended 31 December 2008, there were an additional 3,312,990 warrants exercised by warrant holders to subscribe for 3,312,990 new ordinary shares of the Company. Accordingly, there were 39,537,401 warrants outstanding as at 31 December 2008.

(ii) Brooder stocks

	Group		Company	
	31 Dec 2008	**31 Dec 2007**	**31 Dec 2008**	**31 Dec 2007**
	$	$	$	$
Cost				
Balance as at 1 Jan	22,557,297	16,099,284	1,459,500	1,459,500
Additions during the year	6,678,018	6,491,591	-	-
Translation differences	(824,434)	(33,578)	-	-
Balance as at 31 Dec	28,410,881	22,557,297	1,459,500	1,459,500
Accumulated depreciation and impairment losses				
Balance as at 1 Jan	1,192,135	819,373	233,520	204,330
Depreciation charge for the year	510,239	374,173	29,190	29,190
Translation differences	(37,386)	(1,411)	-	-
Balance as at 31 Dec	1,664,988	1,192,135	262,710	233,520
Net carrying value				
Balance as at 31 Dec	26,745,893	21,365,162	1,196,790	1,225,980

Notes to Balance Sheets (cont'd)

(ii) **Brooder stocks (cont'd)**

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

(iii) **Investments in subsidiaries**

The details of subsidiaries are as follows:

Name	Effective equity interest held by the Group		Cost of investment by the Company		
	31 Dec 2008	31 Dec 2007	31 Dec 2008		31 Dec 2007
	%	%	$		$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050		57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	150,451		150,451
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-		-
Kim Kang Aquaculture Sdn Bhd and its subsidiary: (Malaysia)	65	65	8,538,391	#	7,699,891
- Kim Kang Frozen Food Sdn Bhd	- ^	65	-		-
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824		171,824
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd (People's Republic of China)	100	100	1,686,039		1,686,039
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	1,086,516		1,086,516
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262		148,262
Thai Qian Hu Company Limited (Thailand)	60	60	121,554		121,554
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999		30,999
			11,991,086		11,152,586

* The Company has voting control at general meetings & Board meetings of NNTL (Thailand) Limited.

In June 2008, the Company subscribed for its share of the increase in Kim Kang's share capital.

^ Disposed off in October 2008.

Notes to Balance Sheets (cont'd)

(iii) **Investments in subsidiaries (cont'd)**

KPMG Singapore is the auditor of the Singapore-incorporated subsidiary. Another member firm of KPMG International is the auditor of a significant foreign-incorporated subsidiary (as defined under Listing Rule 718 of the Singapore Exchange Listing Manual), namely Kim Kang Aquaculture Sdn Bhd.

(iv) **Investment in associate**

The details of associate are as follows:

	Group		Company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
	$	$	$	$
Unquoted equity investment - Arcadia Product PLC	812,600	812,600	812,600	812,600
Share of post-acquisition (loss) profit	(24,806)	23,867	-	-
	787,794	836,467	812,600	812,600

In July 2007, the Company acquired a 20% equity interest in Arcadia Products PLC ("Arcadia"), an aquarium lamp manufacturer based in the United Kingdom, for an initial consideration of £264K (approximately S$813K). In addition, it was agreed that if Arcadia achieves a net profit after tax ("PAT") of not less than £400K (the "Required PAT") in respect of Arcadia's financial year ended 30 June 2008 ("FY 2008"), a further consideration for the acquisition amounting to 20% of six times the amount of Arcadia's PAT less the amount of initial consideration already paid by the Company ("further consideration") will be paid. As Arcadia did not achieve the Required PAT for FY 2008, the further consideration, calculated on the same abovementioned basis for the financial year ending 30 June 2009 ("FY 2009"), will be payable upon Arcadia achieving the Required PAT in FY 2009.

(v) **Intangible assets**

	Group		Company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
	$	$	$	$
Trademarks/customer acquisition costs	826,774	743,059	809,897	725,497
Product listing fees	196,153	196,153	196,153	196,153
Goodwill on consolidation	1,965,620	1,965,620	-	-
	2,988,547	2,904,832	1,006,050	921,650
Less accumulated amortisation	(783,155)	(765,396)	(766,278)	(747,834)
	2,205,392	2,139,436	239,772	173,816

Notes to Balance Sheets (cont'd)

(v) **Intangible assets (cont'd)**

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the acquisition of trademarks rights and existing customer base of two brands of pet food, namely "ARISTO-CATS YI HU" and "Nature's Gift". With the adoption of the revised FRS 38 *Intangible Assets*, trademarks/customer acquisition costs were determined to have indefinite lives and were no longer amortised but subjected to annual impairment testing.

Product listing fees relate to cost paid to third parties in relation to the entitlements to list and sell the Company's products in certain supermarkets, and are amortised over 3 years.

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of subsidiaries acquired. It was stated at cost from the date of initial recognition and amortised over its estimated useful life of 20 years. With the adoption of FRS 103 Business Combinations, the Group discontinued amortisation of goodwill on consolidation. The remaining goodwill balance is subject to annual impairment testing.

(vi) **Inventories**

	Group		Company	
	31 Dec 2008	**31 Dec 2007**	**31 Dec 2008**	**31 Dec 2007**
	$	$	$	$
Fish	6,700,278	7,800,580	3,206,189	2,979,900
Accessories	15,416,961	13,627,378	4,606,851	4,057,776
Plastics products - raw materials	243,516	500,293	-	-
Plastics products - finished goods	419,808	496,702	-	-
	22,780,563	22,424,953	7,813,040	7,037,676
Less allowance for inventory obsolescence	(394,790)	(416,350)	(301,000)	(322,560)
	22,385,773	22,008,603	7,512,040	6,715,116

The increase in accessories balance as at 31 December 2008 was mainly due to higher raw materials and finished goods held in our Guangzhou factory for production orders and delivery due in the coming quarter.

(vii) **Breeder stocks**

	Group		Company	
	31 Dec 2008	**31 Dec 2007**	**31 Dec 2008**	**31 Dec 2007**
	$	$	$	$
As at 1 January	1,420,870	1,721,800	245,800	245,800
Change in fair value less estimated point-of-sale costs	(275,200)	(324,120)	(28,500)	15,200
Decreases due to sales	(1,531,310)	(1,878,660)	(328,370)	(671,560)
Net increase due to births	1,980,810	1,901,850	555,760	656,360
As at 31 December	1,595,170	1,420,870	444,690	245,800

Notes to Balance Sheets (cont'd)

(viii) Trade receivables

	Group		Company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
	$	$	$	$
Trade receivables	22,958,865	19,676,399	9,018,920	8,609,654
Less allowance for doubtful trade receivables	(2,246,703)	(2,069,699)	(1,900,481)	(1,769,160)
	20,712,162	17,606,700	7,118,439	6,840,494

The increase in trade receivables as at 31 December 2008 was mainly due to higher credit sales generated in the last quarter of 2008. The Group typically grants existing customers credit terms of 30 to 90 days.

(ix) Other receivables, deposits and prepayments

	Group		Company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
	$	$	$	$
Other receivables	322,899	362,165	86,074	201,650
Deposits	313,762	362,833	56,398	48,547
Prepayments	453,125	509,321	124,319	49,489
Advances to suppliers	451,347	45,317	365,615	-
Deposit for purchase of property, plant and equipment	470,832	278,940	470,832	278,940
Tax recoverable	592,929	276,897	-	-
	2,604,894	1,835,473	1,103,238	578,626

The increase in other receivables, deposits and prepayments as at 31 December 2008 was mainly due to advances made to suppliers in relation to the on-going infrastructure construction work in our Singapore farm and the deposits placed for the purchase of related equipment.

(x) Bills payable to banks

The weighted average effective interest rates per annum of bills payable for the Group and the Company as at 31 December 2008 are 4.93% (2007: 4.93%) and 5.25% (2007: 5.25%) respectively. These bills mature within one to three months from the end of the year.

(xi) Other payables and accruals

	Group		Company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
	$	$	$	$
Accrued operating expenses	329,191	382,613	218,268	134,528
Accrued staff costs	2,139,748	2,177,374	1,555,234	1,755,252
Other payables	2,545,918	2,222,194	2,218,623	1,873,368
Advance received from customers	167,840	-	-	-
	5,182,697	4,782,181	3,992,125	3,763,148

Notes to Balance Sheets (cont'd)

(xii) Finance lease obligations

Group

31 Dec 2008	**Payments** $	**Interest** $	**Principal** $
Payable:			
After 1 year but within 5 years	430,824	(78,907)	351,917
Within 1 year	203,831	(31,191)	172,640
	634,655	(110,098)	524,557
31 Dec 2007			
Payable:			
After 1 year but within 5 years	355,495	(23,508)	331,987
Within 1 year	184,531	(19,682)	164,849
	540,026	(43,190)	496,836

Company

31 Dec 2008	**Payments** $	**Interest** $	**Principal** $
Payable:			
After 1 year but within 5 years	124,131	(16,090)	108,041
Within 1 year	81,708	(9,005)	72,703
	205,839	(25,095)	180,744
31 Dec 2007			
Payable:			
After 1 year but within 5 years	82,000	(8,463)	73,537
Within 1 year	67,929	(8,197)	59,732
	149,929	(16,660)	133,269

(xiii) Bank term loans

	Group		**Company**	
	31 Dec 2008 $	**31 Dec 2007** $	**31 Dec 2008** $	**31 Dec 2007** $
Due within 1 year:				
Short term loans (unsecured)	10,000,000	7,100,000	10,000,000	7,100,000
Long-term loans, current portion				
- secured	31,113	29,826	-	-
- unsecured	237,102	227,267	-	-
	268,215	257,093	-	-
	10,268,215	7,357,093	10,000,000	7,100,000
Due after 1 year:				
Long-term loans				
- secured	75,853	111,276	-	-
- unsecured	1,982,606	1,434,290	-	-
	2,058,459	1,545,566	-	-
	12,326,674	8,902,659	10,000,000	7,100,000

Notes to Balance Sheets (cont'd)

(xiii) **Bank term loans (cont'd)**

The proceeds from the additional bank borrowings were mainly utilised for capital expenditure in relation to the expansion of our Dragon Fish breeding and farming facilities in Singapore and Malaysia.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 2.31% to 3.58% (2007: 3.81% to 4.19%) per annum and are repayable within the next 12 months from the balance sheet date.

The long-term loans, taken by a subsidiary, comprise:

- a 7-year bank loan of RM0.5 million, secured by a mortgage on a subsidiary's freehold land, bears interest at 7.75% (2007: 8.00%) per annum and is repayable in 84 instalments commencing January 2005;
- a 5-year unsecured bank loan of RM1.85 million, bears interest at 8.00% (2007: 8.25%) per annum and is repayable in 60 monthly instalments commencing August 2006;
- a 10-year unsecured bank loan of RM2.5 million, bears interest at 8.00% (2007: 8.25%) per annum and is repayable in 120 monthly instalments commencing March 2007; and
- a 5-year unsecured bank loan of RM3.0 million, of which RM2.0 million was drawndown as at 31 December 2008, bears interest at 7.50% (2007: Nil) per annum and is repayable in 60 monthly instalments commencing upon the full drawdown of the loan.

As at 31 December 2008, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $10.5 million (2007: $9.6 million). As announced previously, the adoption of the amendments to FRS 39 *Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts* (effective from financial years beginning on or after 1 January 2006), which required the Company to measure the financial guarantees given to financial institutions for bank borrowings of its subsidiaries at fair value upon inception of the guarantees, was assessed to have no material financial impact on the Group's financial statements.

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2008**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2008	2007	2008	2007
	$	$	$	$
Cash flows from operating activities				
Profit before taxation and minority interests	2,341,989	2,141,114	9,191,531	7,919,479
Adjustments for:				
Bad trade receivables				
- written off	3,512	6,448	10,169	6,624
- recovered	80	-	(16,800)	-
Depreciation of				
- property, plant and equipment	480,613	439,646	1,896,780	1,831,693
- brooder stocks	139,690	107,063	510,239	374,173
(Gain) Loss on disposal of				
- property, plant and equipment	(23,775)	(3,596)	(64,222)	(95,699)
- quoted equity investment	-	-	-	1,032
Property, plant and equipment written off	4,759	577	10,851	2,075
Change in fair values less estimated point-of-sale costs	275,200	324,120	275,200	324,120
Amortisation of product listing fees	2,981	12,072	18,445	42,678
Allowance for (Write back of)				
- doubtful trade receivables	95,736	92,277	194,926	592,965
- inventory obsolescence	(35,298)	(115,900)	(21,560)	(2,900)
Share of losses (profit) of associate	9,067	(5,392)	48,673	(23,867)
Financial expenses	217,590	208,136	876,568	839,772
Financial income	(3,557)	(1,855)	(21,140)	(7,415)
Operating profit before working capital changes	3,508,587	3,204,710	12,909,660	11,804,730
(Increase) Decrease in:				
Inventories	420,954	(110,922)	(560,815)	(408,393)
Breeder stocks	(449,500)	(23,190)	(449,500)	(23,190)
Trade receivables	(2,417,570)	(568,760)	(3,204,048)	(2,260,740)
Other receivables, deposits and prepayments	(388,439)	96,686	(473,659)	59,760
Due from associate (trade)	184,344	(606,454)	1,147,296	(1,655,630)
Increase (Decrease) in:				
Trade payables	1,540,769	400,449	1,816,450	1,343,913
Bills payable to banks	(262,016)	402,327	(703,211)	(145,119)
Other payables and accruals	511,300	773,548	416,668	1,032,656
Cash generated from operations	2,648,429	3,568,394	10,898,841	9,747,987
Payment of income tax	(18,551)	(149,675)	(1,079,687)	(1,097,704)
Net cash generated from operating activities	2,629,878	3,418,719	9,819,154	8,650,283
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(979,172)	(366,459)	(4,141,803)	(2,399,375)
- brooder stocks	(1,229,677)	(2,318,466)	(6,678,018)	(6,491,591)
Proceeds from disposal of				
- property, plant and equipment	40,383	3,990	95,186	134,401
- quoted equity investment	-	-	-	2,573
Payment for trademarks/customer acquisition costs	(35,231)	(14,927)	(84,401)	(42,105)
Investment in associate	-	-	-	(812,600)
Interest received	3,557	1,855	21,140	7,415
Net cash used in investing activities	(2,200,140)	(2,694,007)	(10,787,896)	(9,601,282)

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2008 (cont'd)**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2008	2007	2008	2007
	$	$	$	$
Cash flows from financing activities				
Proceeds from issuance of new shares (net)	-	578,472	115,954	1,203,282
Drawdown of				
- bank term loans	666,000	-	3,736,000	2,342,500
- loans from minority shareholder of a subsidiary	-	32,625	-	32,625
Repayment of				
- finance lease obligations	(41,320)	(53,240)	(255,469)	(221,567)
- bank term loans	(57,122)	(209,617)	(241,537)	(655,866)
- loans from minority shareholder of a subsidiary	(20,832)	(6,942)	(261,710)	(307,208)
Payment of dividends to equity holders	-	-	-	(634,054)
Interest paid	(211,151)	(206,365)	(886,799)	(838,820)
Net cash generated from financing activities	335,575	134,933	2,206,439	920,892
Net increase (decrease) in cash and cash equivalents	765,313	859,645	1,237,697	(30,107)
Cash and cash equivalents at beginning of period/year	5,938,791	4,621,584	5,449,943	5,467,328
Effect of exchange rate changes on cash balances held in foreign currencies	(71)	(31,286)	16,393	12,722
Cash and cash equivalents at end of period/year (Note ii)	6,704,033	5,449,943	6,704,033	5,449,943

Notes to Statement of Cash Flows

(i) Disposal of subsidiary

The cash flow effect of the subsidiary disposed of is set out as follows:-

	Group	
	31 Dec 2008	31 Dec 2007
	$	$
Total consideration	1	-
Less:		
Cash and bank balances disposed	(1)	-
Net cash flow from disposal of a subsidiary	-	-

Notes to Statement of Cash Flows

(ii) Cash and cash equivalents comprise:

	Group	
	31 Dec 2008	31 Dec 2007
	$	$
Fixed deposits	24,560	23,706
Cash and bank balances	8,302,611	7,492,720
Bank overdrafts	(1,623,138)	(2,066,483)
	6,704,033	5,449,943

Fixed deposits bear average effective interest rate of 1.14% (2007: 1.80%) per annum with maturity within 18 months from the end of the year. The fixed deposits are pledged to a financial institution to secure performance guarantees issued by that financial institution.

Cash and bank balances earn interest at floating rates based on daily bank deposit rates from 0% to 0.375% (2007: 0.25% to 2.875%) per annum.

The average effective interest rate of bank overdrafts of the Group is 7.75% (2007: 8.00%) per annum. The bank overdrafts are repayable on demand.

(iii) The improvement in the Group's **net cash generated from operating activities** for the year ended 31 December 2008 was due to higher operating profit generated in FY 2008 as compared to FY 2007. However, the profit generated has yet been fully realised into cash as our trade receivables balances increased in accordance with the higher credit sales generated in the last quarter of FY 2008.

Net cash used in investing activities was mainly related to the purchase of brooder stocks in Kim Kang Aquaculture Sdn Bhd amounting to approximately $6.7 million and capital expenditure incurred for the expansion of our Dragon Fish breeding facilities in Singapore, as well as on-going enhancement to the infrastructure and farm facilities in overseas entities.

Net cash generated from financing activities in FY 2008 was related to cash proceeds from the issuance of new shares arising from exercise of warrants and the additional drawdown of bank loans granted by financial institutions mainly to finance the capital expenditure incurred. The amount was partially offset by repayment made to minority shareholder of a subsidiary and the settlement of finance lease obligations on a monthly basis, as well as the servicing of interest payments.

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1(d) **STATEMENT OF CHANGES IN EQUITY**

Group	Share capital $	Accumulated profits $	Currency translation reserve $	Total $	Minority interests $	Total Equity $
	Equity attributable to Shareholders of the Company					
Balance at 1 Jan 2007	18,997,444	24,076,821	(587,474)	42,486,791	6,264,461	48,751,252
Net gain (loss) recognised directly in equity:						
- Currency translation differences	-	-	(6,576)	(6,576)	2,052	(4,524)
Profit for the year	-	4,948,168	-	4,948,168	1,368,672	6,316,840
Total recognised income (expense) for the year	-	4,948,168	(6,576)	4,941,592	1,370,724	6,312,316
Issue of new shares	10,494,087	-	-	10,494,087	-	10,494,087
Share of issuance expenses	(195,570)	-	-	(195,570)	-	(195,570)
Payment of						
- first and final dividend	-	(634,054)	-	(634,054)	-	(634,054)
- special interim dividend	-	(9,095,235)	-	(9,095,235)	-	(9,095,235)
Balance at 31 Dec 2007	29,295,961	19,295,700	(594,050)	47,997,611	7,635,185	55,632,796
Net gain recognised directly in equity:						
- Currency translation differences	-	-	9,524	9,524	7,310	16,834
Profit for the period	-	1,265,593	-	1,265,593	342,565	1,608,158
Total recognised income for the period	-	1,265,593	9,524	1,275,117	349,875	1,624,992
Issue of new shares	65,003	-	-	65,003	-	65,003
Balance at 31 Mar 2008	29,360,964	20,561,293	(584,526)	49,337,731	7,985,060	57,322,791
Net gain (loss) recognised directly in equity:						
- Currency translation differences	-	-	(519,429)	(519,429)	(274,338)	(793,767)
Profit for the period	-	1,508,810	-	1,508,810	340,509	1,849,319
Total recognised income (expense) for the period	-	1,508,810	(519,429)	989,381	66,171	1,055,552
Issue of new shares	47,661	-	-	47,661	-	47,661
Capital contribution	-	-	-	-	451,500	451,500
Balance at 30 Jun 2008	29,408,625	22,070,103	(1,103,955)	50,374,773	8,502,731	58,877,504
Net gain recognised directly in equity:						
- Currency translation differences	-	-	25,767	25,767	761	26,528
Profit for the period	-	1,532,511	-	1,532,511	359,388	1,891,899
Total recognised income for the period	-	1,532,511	25,767	1,558,278	360,149	1,918,427
Issue of new shares	3,290	-	-	3,290	-	3,290
Balance at 30 Sep 2008	29,411,915	23,602,614	(1,078,188)	51,936,341	8,862,880	60,799,221
Net gain (loss) recognised directly in equity:						
- Currency translation differences	-	-	(81,011)	(81,011)	(35,779)	(116,790)
Profit for the period	-	1,735,833	-	1,735,833	315,910	2,051,743
Total recognised income (expense) for the period	-	1,735,833	(81,011)	1,654,822	280,131	1,934,953
Balance at 31 Dec 2008	29,411,915	25,338,447	(1,159,199)	53,591,163	9,143,011	62,734,174

1(d) **STATEMENT OF CHANGES IN EQUITY (cont'd)**

Company	**Share capital** $	**Accumulated profits** $	**Total** $
Balance at 1 Jan 2007	18,997,444	18,042,095	37,039,539
Total recognised income for the year			
- Profit for the year	-	2,546,204	2,546,204
Issue of new shares	10,494,087	-	10,494,087
Share issuance expenses	(195,570)	-	(195,570)
Payment of			
- first and final dividend	-	(634,054)	(634,054)
- special interim dividend	-	(9,095,235)	(9,095,235)
Balance at 31 Dec 2007	29,295,961	10,859,010	40,154,971
Total recognised income for the period			
- Profit for the period	-	460,312	460,312
Issue of new shares	65,003	-	65,003
Balance at 31 Mar 2008	29,360,964	11,319,322	40,680,286
Total recognised income for the period			
- Profit for the period	-	255,031	255,031
Issue of new shares	47,661	-	47,661
Balance at 30 Jun 2008	29,408,625	11,574,353	40,982,978
Total recognised income for the period			
- Profit for the period	-	1,172,815	1,172,815
Issue of new shares	3,290	-	3,290
Balance at 30 Sep 2008	29,411,915	12,747,168	42,159,083
Total recognised income for the period			
- Profit for the period	-	680,768	680,768
Balance at 31 Dec 2008	29,411,915	13,427,936	42,839,851

2 AUDIT

The full year financial statements have been audited by the Company's auditors.

3 AUDITORS' REPORT

See attached auditors' report.

4 ACCOUNTING POLICIES

There were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2007.

5 CHANGES IN ACCOUNTING POLICIES

Not applicable.

6 **EARNINGS PER ORDINARY SHARE (EPS)**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2008	2007	2008	2007
EPS (based on consolidated net profit attributable to shareholders)				
- on weighted average number of ordinary shares on issue (cents)	0.42	0.39	1.46	1.34
- on a fully diluted basis (cents)	0.39	0.41	1.36	1.23

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the financial year of 414,583,323 (2007: 368,066,986).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the financial year adjusted to assume conversion of all potential dilutive ordinary shares of 443,482,534 (2007: 402,357,596).

7 **NET ASSET VALUE PER SHARE**

	Group		Company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Net asset value per share based on existing issued share capital as at the respective dates (cents)	15.11	13.51	10.32	9.75

Net asset value per share is computed based on the number of shares in issue as at 31 December 2008 of 415,224,269 (2007: 411,911,279).

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

Financial year 2008 vs financial year 2007

	Group			
	Financial year ended 31 Dec			
	2008	2007	Increase	
	$'000	$'000	$'000	%
Fish	45,708	45,336	372	0.8
Accessories	35,627	35,350	277	0.8
Plastics	11,727	11,034	693	6.3
	93,062	91,720	1,342	1.5

For the year ended 31 December 2008, our ornamental fish and accessories activities continued to be our core activities, which together accounted for approximately 87% of our total revenue. Our revenue increased marginally by $1.3 million or 1.5% from $91.7 million for the year ended 31 December 2007 to $93.1 million for the year ended 31 December 2008.

8 **REVIEW OF GROUP PERFORMANCE (cont'd)**

(a) **Revenue (cont'd)**

Financial year 2008 vs financial year 2007 (cont'd)

On a geographical basis, revenue from Singapore dipped marginally by 1.0% while overseas revenue grew by 2.5% in FY 2008 as compared to FY 2007. Both the Singapore and overseas operations' constant effort in expanding our distribution network into overseas untapped markets contributed to the increase in overseas revenue.

4Q 2008 vs 4Q 2007

	Group			
	4Q 2008 $'000	4Q 2007 $'000	Decrease $'000	%
Fish	10,483	11,603	(1,120)	(9.7)
Accessories	9,585	10,198	(613)	(6.0)
Plastics	2,791	2,822	(31)	(1.1)
	22,859	24,623	(1,764)	(7.2)

Revenue decreased by approximately $1.8 million or 7.2% from $24.6 million in the 4th quarter of 2007 to $22.8 million in the 4th quarter of 2008. All business activities registered a reduction in revenue during the current quarter as compared to its corresponding period in 2007.

Fish
The lower ornamental fish revenue registered in the 4th quarter of 2008 as compared to its corresponding period in 2007 was mainly due to shortage in the supply of Dragon Fish for sales in the current quarter. In order to maintain a reliable supply of Dragon Fish going forward, we have since invested approximately $10 million in breeding facilities and brooder stocks in our Dragon Fish farms located in Singapore and Malaysia. With the improved productivity derived from our R&D findings on the breeding behavior of Dragon Fish and the consistency in supply of Dragon Fish from our own farms, we would be able to satisfy the increasing demand for such fish from the China, India and Vietnam markets in the coming years.

In addition, the temporary closure of the Bangkok International Airport in November has affected the amount of ornamental fish export from our Thailand subsidiary for that month.

Accessories
Our subsidiaries in Malaysia, Thailand and China have managed to expand their distribution network in those countries to capture more sales in the 4th quarter of 2008 as compared to its corresponding period in 2007. The slight reduction in accessories revenue reported in the current quarter was due to the spillover effect of the reduction in revenue contribution from our Guangzhou factory as a result of the delay in roll-out of new products commissioned by our OEM customers when the production plan originally scheduled in September was deferred to October as mentioned in our previous announcement. The production of these new products has commenced in mid-October with regular delivery and increasing revenue recorded for the rest of the quarter.

8 **REVIEW OF GROUP PERFORMANCE (cont'd)**

(a) **Revenue (cont'd)**

4Q 2008 vs 4Q 2007 (cont'd)

Plastics
Revenue from our plastics activities remained relatively consistent in the current quarter, comparable to that of the corresponding period in 2007.

4Q 2008 vs 3Q 2008

	Group		Increase (Decrease)	
	4Q 2008 $'000	3Q 2008 $'000	$'000	%
Fish	10,483	11,820	(1,337)	(11.3)
Accessories	9,585	8,541	1,044	12.2
Plastics	2,791	3,252	(461)	(14.2)
	22,859	23,613	(754)	(3.2)

Although the revenue from our accessories activities registered growth of $1.0 million or 12.2% in the 4th quarter of 2008, our ornamental fish and plastic revenue decreased by $1.8 million; resulting in the marginal reduction in our overall revenue by approximately $0.8 million or 3.2% in the current quarter as compared to that of the previous quarter.

Fish
As mentioned earlier, the reduction in ornamental fish revenue in the current quarter by $1.3 million or 11.3% as compared to the previous quarter was mainly due to the shortage in supply of Dragon Fish for sales in the current quarter. In addition, the temporary closure of the Bangkok International Airport in November has affected the amount of ornamental fish export from our Thailand subsidiary for that month.

Accessories
The improved accessories revenue registered in the current quarter was mainly due to the production of new products for our OEM customers, which has commenced in mid-October. Revenue contribution from our Guangzhou factory in the previous quarter was affected by the delay in the roll-out of these new products. The sales and delivery of these new products in the current quarter has brought the revenue generated from our accessories business to a new height.

Plastics
Our revenue from plastics business decreased by $0.5 million or 14.2% in the current quarter as compared to the previous quarter mainly due to adjustments made to the selling prices of our plastic products following the significant reduction in the cost of our raw material (resins – which fluctuate with the oil prices). Despite the reduction in revenue, we were able to command a better profit margin in the current quarter (please refer to commentary on profitability below).

8 **REVIEW OF GROUP PERFORMANCE (cont'd)**

(b) **Profitability**

Financial year 2008 vs financial year 2007

	Group			
	Financial year ended 31 Dec			
	2008	2007	Increase	
	$'000	$'000	$'000	%
Fish	8,751	8,100	651	8.0
Accessories	2,425	1,803	622	34.5
Plastics	718	688	30	4.4
Unallocated corporate expenses	(2,703)	(2,672)	(31)	(1.2)
	9,191	7,919	1,272	16.1

Our operating profit before taxation has increased by $1.3 million or 16.1% from $7.9 million in FY 2007 to $9.2 million in FY 2008. Profit after taxation attributable to equity holders of the Company increased by $1.1 million or 22.1% from $4.9 million in FY 2007 to approximately $6.0 million in FY 2008. Our fish business was the main profit contributor in both financial years.

4Q 2008 vs 4Q 2007

	Group			
	4Q	4Q	Increase	
	2008	2007	(Decrease)	
	$'000	$'000	$'000	%
Fish	2,175	2,316	(141)	(6.1)
Accessories	604	614	(10)	(1.6)
Plastics	213	130	83	63.8
Unallocated corporate expenses	(650)	(919)	269	29.3
	2,342	2,141	201	9.4

With the dip in revenue from all our business activities in the 4th quarter of 2008, the operating profit from business activities decreased marginally as compared to its corresponding period in 2007. However, the reduction in unallocated corporate expenses incurred in the current quarter has managed to lift the overall profitability of the Group by $0.2 million or 9.4%.

Unallocated corporate expenses were staff costs and administrative expenses incurred in relation to the overseeing of the Group's operations both locally and overseas. The lower corporate expenses reported 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.

Fish

Despite an almost 10% reduction in revenue from our ornamental fish during the 4th quarter of 2008, the operating profit from our ornamental fish business decreased only marginally by approximately $0.1 million or 6.1% as compared to its corresponding period in 2007. This was mainly due better margins yielded from the sales of our self-bred Dragon Fish and the reliant of our export of ornamental fish business which continue to turn in consistent revenue and respectable profit margins.

8 **REVIEW OF GROUP PERFORMANCE (cont'd)**

(b) **Profitability (cont'd)**

4Q 2008 vs 4Q 2007 (cont'd)

Accessories
The operating profit from our accessories business remained consistent in both quarters despite the reduction in accessories revenue recorded in the 4th quarter of 2008 as compared to its corresponding period in 2007. The better profit margin contributions from our export of accessories has managed to offset the reduction in profit contributions from our Guangzhou factory as a result of the delay in the roll-out of new products commissioned by its OEM customers as mentioned above.

Plastics
Despite registering stable revenue contribution, the operating profit from our plastics activities improved on a quarter-on-quarter basis mainly due to better profit margins yielded.

4Q 2008 vs 3Q 2008

	Group		Increase (Decrease)	
	4Q 2008 $'000	3Q 2008 $'000	$'000	%
Fish	2,175	1,956	219	11.2
Accessories	604	809	(205)	(25.3)
Plastics	213	155	58	37.4
Unallocated corporate expenses	(650)	(563)	(87)	(15.5)
	2,342	2,357	(15)	(0.6)

Fish
Despite registering reduction in revenue, the operating profit from our ornamental fish activities increased by approximately $0.2 million or 11.2% in the current quarter as compared to the previous quarter mainly due to better margins yielded from the sales of our self-bred Dragon Fish and the difference in sales mix recorded in both quarters.

Accessories
Although with a much higher revenue from our Guangzhou factory as compared to its previous quarter, our accessories business registered a reduction in profit as a result of our conscientious effort made to reduce our inventory level which has affected the profitability of our accessories business during the quarter.

Plastics
Despite a reduction in revenue contribution in the current quarter as compared to the previous quarter, the operating profit from our plastics activities improved mainly due to better profit margins yielded as mentioned earlier.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

PROPECTS FOR FY 2009

In FY 2009, our Group's growth will depend on:

Increase in our export of ornamental fish

Ornamental fish will continue to be an important core business activity of our Group. Currently, we export to more than 80 countries around the world from our export hubs in Singapore, Malaysia, Thailand and China. We believe that we are the region's biggest exporter of ornamental fish capturing around 5% of the world market share. While we will increase our efforts on expanding our export distribution to more countries around the world, we 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 30 countries around the world but with limited presence in Europe. However, this is set to change through our 20% stake in Arcadia and the setting up of a marketing base in London. Through these, we aim to increase our visibility in the European continent and target to increase our export of aquarium and pet accessories to more than 40 countries within the year.

Continued growth in our breeding and sales of Dragon Fish

China, Taiwan, India and Japan are huge markets for Dragon Fish, and we have been experiencing increasing sales from these markets in the past few years. We envisage that our Dragon Fish sales will continue to grow in FY 2009.

Our collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish since 2003 has enabled us to increase the production of Dragon Fish in our farms, and hence enhance our Group's ability to meet the future increase in demand of Dragon Fish. Our "Qian Hu" Dragon Fish has gradually established itself as a premium brand in China.

Increase in our profit margin

Our Group's current business model has become more robust and diversified after the completion of the restructuring exercise in FY 2006. Our profit margins had shown improvement in the subsequent two years (FY 2007 & FY 2008). In Year 2009, we will focus on containing operating costs and increasing our productivity which accordingly, our profit should grow at a faster pace than that of the increase in revenue (in terms of percentage). As we are operating in a niche market, namely the lifestyle and service industry, we believe that we can achieve respectable profit margin by leveraging on our own house brands, strong R&D efforts and an efficient supply chain management.

Expansion of our 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 150 locations to more than 200 locations in Year 2009.

In spite of the lingering global economic situation, we envisage – barring any unforeseen circumstances – continued growth in our revenue and profitability in Year 2009.

10 **PROSPECTS (cont'd)**

OUR LONG-TERM PROPECTS

To be the world's Number 1 ornamental fish exporter

As mentioned earlier, currently, we export ornamental fish to more than 80 countries around the world and we believe that Qian Hu has captured around 5% of the world's market share in terms of ornamental fish export. Our long-term goal is to double our global market share to 10% and that we are able to export ornamental fish to 100 countries – this will make us the top ornamental fish exporter in the world. We hope to achieve this by exporting more ornamental fish to more customers and countries all over the world from our existing distribution hubs and exporting more Dragon Fish to China, India and Vietnam.

In addition, we are looking out for opportunities in India, Indonesia, Vietnam and the Middle East to develop our distribution network and to set up new joint ventures in these markets which we are not too familiar with (instead of running the operations solely). Through these possible opportunities and strategic joint ventures, we believe that there will be a positive contribution to our ornamental fish revenue moving forward.

To improve revenue contribution from pet accessories

In FY 2008, the percentage of our ornamental fish and aquarium and pet accessories revenue was 49% and 38% of total revenue respectively, and within accessories, approximately 90% were revenue contribution from aquarium accessories products with the balance 10% from the pet accessories business. It is our long-term target to have equal revenue contribution from both the ornamental fish and the accessories businesses. In addition, within the accessories segment, half of the revenue should be from aquarium accessories sales and the other half from pet accessories. In order to achieve that, we will continue to leverage on our own house-brands, namely "BARK" and 'Nature Gift" for dog accessories products, "Aristo-cats YI HU" for cat accessories products and "Delikate" for small animals.

To export our aquarium and pet accessories to more countries

It is our intention to grow our export of aquarium and pet accessories to as many countries as our ornamental fish export in five years' time. We aim to do this by cross selling our accessories products to our existing ornamental fish customers, as well as expanding our customer base in new countries through active marketing and participation in trade shows. It is important that we focus on innovative product development, ensuring consistency in quality and the building up of our own propriety brand names.

To have the widest distribution network in China

As at December 2008, Qian Hu has more than 150 distribution points across China distributing our Dragon Fish and aquarium accessories. We intend to further enhance our presence in China by increasing our marketing effort and leveraging on our premium brand status. We also intend to increase the number of distribution points to more than 250 locations in the next few years. We expect that as China becomes more prosperous, we will need to move beyond the 1st-tier cities into the 2nd, 3rd or 4th tiers cities in order to open up more distribution points. Distribution points are managed by our appointed agents in the respective cities or with our strategic partners in China.

To continue our investment in research & development ("R&D")

We will set up a R&D department in the Singapore HQ in FY 2009, to be headed by our Qian Hu scholar, Dr. Alex Chang. With the conscientious R&D effort put into the researching of Dragon Fish breeding behaviour, we aim to be Asia's most innovative and profitable dragon fish breeder. Our R&D work will also be integrated in nature, for instance, by making use of our fish breeding experience to develop innovative and practical aquarium accessories such as filters and tanks.

10 **PROSPECTS (cont'd)**

OUR LONG-TERM PROPECTS (cont'd)

To be able to change in accordance with the changing environment and to continue to differentiate ourselves

The achievability of our long-term growth will depend on our ability to change and react in accordance with the ever changing environment. We have demonstrated our tenacity by enduring the painful process of restructuring in FY 2004. We will work on building up a knowledgeable and competitive workforce, to keep on differentiating ourselves through innovative products and services, to pursue business excellent practices and finding new ways of doing things. We need to challenge the status quo and to better equip ourselves so that we can build an organisation that will last for generations.

To stay focus in whatever we do

We are an integrated ornamental fish service provider and must always capitalise on our core competencies and stay focus dealing with the ornamental fish and aquarium and pet accessories related activities. We may be a small company now but we are in a niche market and we are one of the leaders in the ornamental fish market. By staying focused, and relentlessly pursuing business excellence, Qian Hu will become a bigger and better company one day and we will continue to enjoy better long-term prospects.

11 **RISK FACTORS AND RISK MANAGEMENT**

Risk management form an integral part of business management. The Company's risk and control policy is designed to provide reasonable assurance that objectives are met by integrating management control into daily operations, by ensuring compliances with legal requirements and by safeguarding the integrity of the Company's financial reporting and its related disclosures. It makes management responsible for identifying the critical business risks and the implementation of appropriate risk management processes.

The following set out an overview of Qian Hu's approach to risk management and business control with a brief description of the nature and the extent of its exposure to these risks. The risk overview, however, is not exhaustive.

Market risk

The Group has established subsidiaries in four countries. These subsidiaries 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, our business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets. Although these circumstances may be beyond our control, the Board and the management consistently keep themselves up-to-date on the changes in political and industry regulations so as to be able to anticipate or response to any adverse changes in market conditions in an efficient and timely manner.

Business 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 is uncommon. We have institutionalized a comprehensive health management and quarantine system for all our domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for our fishes. Currently, all our domestic and overseas fish operations have attained ISO 9002 certification.

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

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 operational risk management process is to minimise unexpected losses and manage expected losses.

Our Group currently operates in four countries with assets and activities spreading across the Asia Pacific. As at 31 December 2008, almost 70% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 72% of the total revenue in FY 2008. In view of our Group's expansion plan, 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.

It is also noted that Qian Hu has always been viewed as a family business largely run and controlled by the Yap family. However, in fact, it is run by a team of dedicated Qian Hu family members, not solely by the Yap family members. Although no individual is indispensible, the loss of specialized skills and the leadership of our Executive Chairman & Managing Director, Mr Kenny Yap, and the other founding members, including our key management, could result in business interruptions and a loss in shareholders' confidence. To dispel the worries, we have since put in place a structured succession planning programme so as 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. We believe that training a team of next-generation leaders is critical to the continuity of the business which should last beyond our generation.

Product risk

For the year ended 31 December 2008, our Dragon Fish sales contributed approximately 25% of our Group total revenue. 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 reliant on the sale of any particular type or species of fish or accessories products.

Investment risk

Our Group grows businesses through organic growth of our existing activities, development of new capabilities (e.g. setting up retail chain stores) and through acquisitions of operating business entities. Investment activities are evaluated through performing of due diligence exercise and are supported by external professional advices. 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 our 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.

Our Group does not have any formal hedging policy against foreign exchange fluctuations. However, we 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 on the Group's profitability.

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

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to our 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 our customers or suppliers contributes more than 5% of our Group's revenue and purchases. It is our 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 customers with lower credit standing.

While our Group faces the normal business risks associated with ageing collections, we have adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Accordingly, our 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 our Group on an on-going basis with the objective to limit the extent to which our Group's results could be affected by an adverse movement in interest rate.

Our Group's cash balances are placed with reputable banks and financial institutions. For financing obtained through bank borrowings and finance lease arrangements, our Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Liquidity risk

The objective of liquidity management is to ensure that our Group has sufficient funds to meet its contractual and financial obligations as and when they fall due. To manage liquidity risk, our 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.

Derivative financial instrument risk

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

12 **DIVIDEND**

(a) **Present period**

Name of dividend	First & final
Dividend type	Cash
Dividend rate	0.2 cents per ordinary share
Tax rate	One-tier tax exempt

(b) **Previous corresponding period**

Name of dividend	Special Interim	Final
Dividend type	Cash	Nil
Dividend rate	8.54 cents per ordinary share (less tax)	Nil
Tax rate	18.0%	Nil

The Company paid approximately $9.1 million of special interim cash dividend on 25 September 2007.

12 **DIVIDEND (cont'd)**

(c) **Total annual dividend**

	Latest year ($'000)	Previous year ($'000)
Ordinary	830	9,095
Preference	-	-
Total:	830	9,095

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 11 March 2009, the dividends will be paid on 6 April 2009.

(e) **Books closure date**

Registrable Transfers received by the Company's Registrar, M&C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5:00 pm on 24 March 2009 will be registered before entitlements to the proposed dividend are determined. The Register of Transfer and the Register of Members of the Company will be closed on 25 March 2009 for the preparation of dividend warrants.

13 **INTERESTED PERSON TRANSACTIONS**

Except for consultancy fees amounting to $8,300 (2007: $8,300) paid by the Group and by the Company to a company in which a director has a substantial interest, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, entered into by the Group or by the Company during the financial year ended 31 December 2008.

14 **SEGMENT INFORMATION**

(a) **Business segments**

Group	Fish $'000	Accessories $'000	Plastics $'000	Eliminations $'000	Total $'000
	Financial year ended 31 Dec 2008				
Revenue					
External revenue	45,708	35,627	11,727	-	93,062
Inter-segment revenue	6,983	8,839	173	(15,995)	-
Total Revenue	52,691	44,466	11,900	(15,995)	93,062
Results					
Segment results	9,239	2,484	718	56	12,497
Unallocated expenses					(2,402)
					10,095
Financial expenses - net					(855)
					9,240
Share of losses of associate					(49)
Profit before taxation					9,191
Taxation					(1,790)
Profit for the year					7,401
Net profit margin	**20.2%**	**7.0%**	**6.1%**		**8.0%**
Assets and Liabilities					
Segment assets	61,745	31,709	3,752	-	97,206
Investment in associate					1,296
Unallocated assets					2,010
Total Assets					100,512
Segment liabilities	12,311	4,773	1,780	-	18,864
Unallocated liabilities					18,914
Total Liabilities					37,778
Other Segment Information					
Capital expenditure	10,186	839	90	-	11,115
Depreciation and amortisation	1,502	761	162	-	2,425
Other non-cash expenses (income)	419	(37)	6	-	388

14 **SEGMENT INFORMATION (cont'd)**

(a) **Business segments (cont'd)**

	Financial year ended 31 Dec 2007				
Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Eliminations** $'000	**Total** $'000
Revenue					
External revenue	45,336	35,350	11,034	-	91,720
Inter-segment revenue	8,448	13,214	151	(21,813)	-
Total Revenue	53,784	48,564	11,185	(21,813)	91,720
Results					
Segment results	8,514	1,847	689	(734)	10,316
Unallocated expenses					(1,589)
					8,727
Financial expenses - net					(832)
					7,895
Share of profit of associate					24
Profit before taxaton					7,919
Taxation					(1,602)
Profit for the year					6,317
Net profit margin	**18.8%**	**5.2%**	**6.2%**		**6.9%**
Assets and Liabilities					
Segment assets	53,436	26,888	3,977	-	84,301
Investment in associate					2,492
Unallocated assets					2,030
Total Assets					88,823
Segment liabilities	11,734	4,597	1,684	-	18,015
Unallocated liabilities					15,175
Total Liabilities					33,190
Other Segment Information					
Capital expenditure	8,583	614	121	-	9,318
Depreciation and amortisation	1,263	817	169	-	2,249
Other non-cash expenses (income)	602	238	(12)	-	828

14 **SEGMENT INFORMATION (cont'd)**

(b) **Geographical segments**

Group	Revenue Financial year ended 31 Dec 2008 $'000	Revenue 2007 $'000	Segment assets Financial year ended 31 Dec 2008 $'000	Segment assets 2007 $'000	Capital expenditure Financial year ended 31 Dec 2008 $'000	Capital expenditure 2007 $'000
Singapore	25,832	26,103	31,539	27,178	2,769	527
Other Asian countries	39,021	38,150	67,677	59,153	8,346	8,791
Europe	19,138	18,637	1,296	2,492	-	-
Others	9,071	8,830	-	-	-	-
Total	93,062	91,720	100,512	88,823	11,115	9,318

15 **BREAKDOWN OF REVENUE**

Group	Fish $'000	Accessories $'000	Plastics $'000	Total $'000
4Q 2008				
Singapore (including domestic sales & sales to Singapore)	1,524	1,927	2,706	6,157
Overseas (including export to & sales in overseas)	8,959	7,658	85	16,702
Total revenue	10,483	9,585	2,791	22,859
4Q 2007				
Singapore	1,581	1,831	2,811	6,223
Overseas	10,022	8,367	11	18,400
Total revenue	11,603	10,198	2,822	24,623

Group	Fish $'000	Accessories $'000	Plastics $'000	Total $'000
Financial year ended 31 Dec 2008				
Singapore (including domestic sales & sales to Singapore)	6,585	7,859	11,388	25,832
Overseas (including export to & sales in overseas)	39,123	27,768	339	67,230
Total revenue	45,708	35,627	11,727	93,062
Financial year ended 31 Dec 2007				
Singapore	7,695	7,506	10,902	26,103
Overseas	37,641	27,844	132	65,617
Total revenue	45,336	35,350	11,034	91,720

16 **QUARTERLY ANALYSIS**

	2008	2007	Increase (Decrease)
	$'000	$'000	%
Revenue			
1st Quarter	23,014	21,981	4.7
2nd Quarter	23,576	22,428	5.1
3rd Quarter	23,613	22,688	4.1
4th Quarter	22,859	24,623	(7.2)
	93,062	91,720	1.5
Profit before taxation			
1st Quarter	2,126	1,668	27.5
2nd Quarter	2,366	2,173	8.9
3rd Quarter	2,357	1,937	21.7
4th Quarter	2,342	2,141	9.4
	9,191	7,919	16.1
Profit after taxation and minority interests			
1st Quarter	1,266	947	33.7
2nd Quarter	1,508	1,155	30.6
3rd Quarter	1,533	1,268	20.9
4th Quarter	1,736	1,578	10.0
	6,043	4,948	22.1

- **Revenue**

  During the financial year, our Group's revenue grew steadily as compared to the previous year.

  Our ornamental fish and accessories business has performed comparably to the previous financial year. Our continuous effort in increasing our export market for ornamental fish and accessories to more customers and to more countries around the world, coupled with the continuous rising demand of Dragon Fish during the financial year, has resulted in the improved revenue contributions. Our subsidiaries in Malaysia, Thailand and China have also managed to expand their domestic distribution network in those countries to capture more sales during the financial year.

  In addition, with improved efficiency, our Guangzhou factory was able to further increase its revenue contributions in 2008 by securing, fulfilling and delivering increasing number of production orders every quarter (except during the 3^{rd} quarter when there was a delay in the roll-out of new products commissioned by its OEM customers).

- **Profitability**

  The increase in our Group's overall profitability during the financial year was due to:

  - increase in sales of our self-bred Dragon Fish with better margin yield;
  - increase in export sales of both ornamental fish and accessories;
  - increase accessories sales to domestic customers and better profitability from our retail chain stores throughout the region; and
  - increase in production orders delivered by our Guangzhou factory which led to the improvement in operational efficiency and profitability.

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
12/01/2009

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Independent auditors' report

Members of the Company
Qian Hu Corporation Limited

We have audited the accompanying financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2008, the income statements and statements of changes in equity of the Group and the Company, and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages FS1 to FS51.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet, income statement and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; and

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

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
12 January 2009