Fish Without Borders
About Qian Hu

Incorporated in 1998, Mainboard-listed Qian Hu Corporation Limited is an integrated ornamental fish service provider – providing a spectrum of services involving distribution of well over 500 species and varieties of ornamental fish from all around the world as well as the manufacturing and distribution of a wide range of aquarium and pets accessories.
Fish Without Borders

In the ornamental fish business, the ability to source new varieties and having a complementary, efficient distribution system is absolutely crucial. This is how Singapore, known for its excellent technology and logistics infrastructure, has managed to maintain its pole position as the world’s Ornamental Fish Capital.

In 2007, Singapore exported a total of S$100.6 million of ornamental fish to 80 countries, reinforcing once again its pole position as the world's largest producer of farm-bred ornamental fish.

Southeast Asia as a region accounts for 60% to 70% of the world’s supply of ornamental fish and we believe that we are the biggest in Southeast Asia.

Qian Hu, with our supply and distribution hubs in Singapore, Malaysia, Thailand, and China, distributes to more than 70 countries across the globe. In July 2007, we acquired a 20% stake in UK-based Arcadia Products PLC for £264,000 (approximately S$813,000) – our first in Europe. Not only will we be able to establish a base in the Continent, we will have the opportunity to manufacture Arcadia's renowned aquarium lighting products at our Guangzhou-based aquarium accessories plant which we hope to commence in FY 2008.

This year, we have selected the theme, Fish Without Borders, for this annual report as we wanted to communicate to you, our shareholders, that the distribution of ornamental fish and accessories is truly a global business. The way to expand our business beyond geographical boundaries is through:

1. Extensive distribution network
2. Expertise in global sourcing
3. A strong focus on brand-building

The Qian Hu Brand

As the only public-listed ornamental fish company in the Singapore, which incidentally is the Ornamental Fish Capital of the World, Singapore exports more than 30% of the global output, speaks volumes for the Qian Hu brand.

Increasingly, our brand, though difficult to pronounce in some countries, still recognize our trademark as synonymous for superlative quality, distribution prowess and service quality.
Over the years, Qian Hu as a corporate brand has evolved from a small company breeding guppies to a mainboard-listed regional company with global sourcing capabilities and a distribution network that spans over 70 countries.

The “Qian Hu” brand of Dragon Fish is perceived as a premium brand in Northeast China, and is experiencing strong demand from Taiwan and Japan as well. The Group’s research collaboration with Temasek Life Sciences Laboratory will continue to enable Qian Hu to increase productivity of own-bred Dragon Fish.

The Group is also the only ornamental fish and accessories company that is able to supply and service through five countries – Singapore, Malaysia, Thailand, China and more recently, United Kingdom. The distribution of aquarium and pet accessories holds greater more room for growth as this segment currently distributes to more than 20 countries only. The Group has seen rising demand for aquarium & pet accessories amongst its regional and international hubs, as well as increasing demand from its Group’s suppliers and customers from various parts of the world. It plans to expand the distribution network for pet accessories by leveraging on Qian Hu’s house brands.

Today, the Group has developed a chorus of brands for each of our main product ranges:

- **Ocean Free** for freshwater fish
- **Bark and Nature’s Gift** for dogs
- **ARISTO-CATS YI HU** for cats
- **Delikate** for small animals such as rabbits and hamsters
- **Qian Hu - The Pet Family** for retail chain stores

As at 31 December 2007, Qian Hu owns and operates 12 “Qian Hu - The Pet Family” retail chain stores throughout the region. The Group plans to add more stores, particularly in Malaysia. In addition, the Group is increasing its distribution points in China for Dragon Fish and other accessories to more than 100.

Not only is Qian Hu known for its marketing and service deliverables, the Group is also known for leading the pack in corporate transparency and excellence in governance. The first small-medium enterprise to be awarded the Singapore Quality Award in 2004, Qian Hu is continually reinventing itself to be more efficient and productive - such is the culture of excellence that permeates throughout the organization, regardless of geographical or cultural boundaries. At all of its regional and international hubs, Qian Hu is embraced as a lifestyle. Afterall, Qian Hu personifies the lifestyle of fun - it brings fun to people to all over the world, to make the world a fun place to live and savour. Keeping fish and other pets, is and will always be, a driver of relaxation to the stressed up communities of the world.
Our Business Model

Qian Hu Business Model

- Farming of fish to marketing size
- Quarantine
- Breeding of Dragon Fish
- Import of 500 species & varieties
- Plastic bags from our subsidiary Qian Hu Tat Leng
- Foreign Retailers
- Domestic Distribution
- Export to Subsidiaries
- Export to 70 Countries
- Conditioning for export

Aquarium and Pet Accessories
- Pet Foods
- Aquarium Accessories
- Fish Food & Medicine

Retail Shops

Manufacturing
Exploring New Markets

The year in review has shown the Group’s strong export sales of its ornamental fish to newly-captured markets in the Middle East, Russia and Australia. The Group will also set up more distribution points in more provinces and cities in China, where Qian Hu already has presence in the major cities of Beijing, Shanghai and Guangzhou. The Qian Hu brand of self-bred Dragon Fish and aquarium accessories are making headway into the Chinese market and in FY 2008, the Group intends to add 50 more distribution points in China.
Distribution and Export

- We export more than 500 species and varieties of ornamental fish to more than 70 countries, helping to place Singapore as the world’s top exporter of ornamental fish.

- Qian Hu is the only ornamental fish company in the world which can export fish from four countries in Asia — Singapore, Malaysia, Thailand and China. We aim to be the world’s top ornamental fish exporter.

- Every week, we pack thousands of bags of ornamental fish in pathogen-free and contaminant-free water and infused, shipping them worldwide.

Breeding of Dragon Fish

- Qian Hu’s self-bred Dragon Fish are considered a premium brand in China, and are enjoying strong demand from Taiwan and Japan as well.

- We are jointly researching the Dragon Fish together with Temasek Life Sciences Laboratory which aims to furnish scientific data on Dragon Fish reproduction which will help increase the customized production of this fish to meet growing international demand.

- The Group recently won the tender for a 13,942 square metre land parcel in Sungei Tengah, adjacent to our existing premises, for approximately $1 million. This will largely be used for our Dragon Fish breeding operations.
Manufacturing of Pet Accessories

- Focusing on the export markets of Japan, Europe, Australia, and Southeast Asia, our subsidiary Guangzhou Qian Hu aims to be one of the top 3 manufacturers of aquarium accessories in China.

- Our 15,000 square metre Guangzhou manufacturing plant produces a wide variety of aquarium accessories such as PUA tanks, lightings, cabinets, air pumps, fish medication and pet foods under Qian Hu’s proprietary brands. The company also serves as a contract manufacturer and distribution agent for third-party brands such as EHEIM and Arcadia.

Our Proprietary Brands

- “Ocean Free” (accessories for ornamental fish) - named the Number 1 aquarium accessories brand in Singapore by Euromonitor.
- “Delikate” (accessories for small animals such as hamsters and rabbits)
- “BARK” and “Nature’s Gift” (accessories for dogs)
- “ARISTO-CATS YI HU” (accessories for cats)

Retail Chain Stores

- Operating under our brand name “Qian Hu – The Pet Family”, our 12 stores in Malaysia, Thailand and China retails a wide range of ornamental fish, aquarium and pet accessories, pet foods, fish food and medicines.

Plastics Manufacturing

- Based in Woodlands, our plastics manufacturing facility produces plastic bags for our export operations, as well as to other industries in Singapore.
Kenny Yap “The Fish”
Executive Chairman & Managing Director
My dear shareholders

After we began restructuring our business model in 2004, a process that is best illustrated by tree pruning, we are pleased to report that Qian Hu has definitely commenced its much-anticipated turnaround in FY 2007. Healthy branches (our revenue) are growing in the right direction in all of our core businesses, and this is particularly apparent in the strong growth from our sales in Singapore and overseas which grew 8.1% and 26.3% respectively this financial year.

**FY 2007 Highlights**

During the year in review, the Group reported an 89.1% surge in net profit attributable to shareholders to approximately $5.0 million on sales of $91.7 million. This was made possible by the robust export sales of our ornamental fish to newly-captured overseas markets such as the Eastern European countries, Middle East, Russia and Australia, as well as strong demand for its Dragon Fish in China.

The Group’s accessories business also experienced strong demand from both domestic and overseas markets, whilst our Guangzhou factory managed to secure more production orders from new and existing OEM customers. Since the beginning of FY 2007, our accessories business had shown substantial improvement due to higher revenue generated from an expanding distribution network, better profit margin contributions from the export of accessories to more untapped markets globally, and enhanced operational efficiency from its Guangzhou accessories manufacturing plant.

**Chairman’s Message**

亲爱的股东们：

在2004年我们开始了“修枝”重组商业模式后，我们欣然宣布，仟湖2007财政年取得了叫人期待的业绩。我们所有核心业务的“健康枝干”(即我们的销售)正朝正确的方向成长，尤其是新加坡与海外的销售量有着强劲的增长，在今年分别增长了8.1%与26.3%。

我们很高兴这个虽痛苦但却是必要的修枝过程已成为过去，而今我们的策略正开始萌芽。我们希望来年可以开始享受因我们努力付出而结出的果实。

**2007财政年概要**

在这年里，集团的净利随着销售额达9170万元而劲升了89.1%，达到约500万元。由于我们的观赏鱼开拓的全新海外市场，如东欧国家、中东、俄罗斯和澳洲的出口销售强劲，以及中国对龙鱼的高需求，都促使销售额劲升的主因。

集团的水族与宠物器材业务在国内外市场的需求也相当强劲，而我们的广州工厂同时取得更多新的与现有OEM客户的生产订单。自2007财政年开始，我们的水族与宠物器材业务有了明显重大的进展，这是因为从扩大的分销网络所获得的收益更高、水族与宠物器材出口到更多待开发的市场取得更高的利润，以及提高广州水族与宠物器材生产工厂的生产运作效率提高的原故。
We are really pleased to see the momentum of growth gaining speed, particularly in our ornamental fish and accessories segments, as evidenced by the net margin improvement from 5.1% in FY 2006 to 6.9% in FY 2007. Going forward, whilst we see our revenue growing by exporting more ornamental fish and accessories to more countries around the world, we expect our accessories business to contribute to a faster pace of growth in profit margin. We have always believed that the accessories business will be a substantial part of the business and we are thankful that our Guangzhou production plant has started to show its potential, particularly with the demand for OEM manufacturing as well as the anticipated shift of Arcadia’s production of aquarium lighting products to our Guangzhou plant later in FY 2008, and this should propel our accessories manufacturing business to a whole new level of growth.

We’re really glad that the painful, but necessary, pruning process is over and our strategy is starting to bud. Hopefully we’ll be able to enjoy the fruits of our labour in the years to come.

**Focused on building our market capabilities**

We have specially selected this year’s theme Fish Without Borders to emphasise the global nature of our business, particularly, our extensive distribution network, expertise in global sourcing, and strong focus on brand-building.

Qian Hu’s strength is in its ability to manage the entire supply chain from the sourcing of ornamental fish, to the breeding of high-margin Dragon Fish, research & development, manufacturing of accessories to complement the ornamental fish distribution business, right down to having direct access

我们很开心看到集团成长的步伐正在加速，尤其是在观赏鱼和水族与宠物器材的业务，净利润率从2006年财政年的5.1%，提升至2007财政年的6.9%，便是最好的明证。迈往未来，我们看到总收入因出口更多的观赏鱼与水族与宠物器材到更多国家而增长时，我们预期水族与宠物器材业务能为集团的盈利取得更快的增长势头。我们一直都认为水族与宠物器材业务将会是集团整体业务的一个重要部分，我们很欣慰广州的工厂已开始展现它的潜力，尤其是在对OEM的生产，以及阿卡迪亚水族灯具的全部生产在2008财政年里将交由我们的广州工厂处理，都将能推动我们的水族与宠物器材生产业务到达一个全新的成长水平。

**致力于建立市场能力**

我们今年精心挑选的主题是鱼无国界，主要强调仟湖业务全球化的发展，尤其是我们广大的分销网络、全球采购的专门知识，以及着重建立品牌形象。

仟湖的优势在于其具备整个供应链的管理能力，从采购观赏鱼、饲养高回报率的龙鱼、研究与开发、水族和宠物器材制造以配合观赏鱼分销业务的拓展，乃至和前线客户的直接接触。我们的观赏鱼来自世界各地，分销网络超过70个国家，水族和宠物器材则分销到超过20个国家。

我们的目标将着重于继续借助仟湖高素质及可靠服务的良好口碑，建立新的市场。目前我们已经成功打入具潜力的新市场，包括中南半岛(印度支那)、如越南，以及中东与俄罗斯。
Chairman’s Message (Cont’d)

with the front-end customers. Our ornamental fish are sourced from all over the world and exported to more than 70 countries, whilst our aquarium and pet accessories are exported to more than 20 countries.

Our focus will continue to leverage on our strong reputation for service reliability and quality, and build new markets. Already, we have made inroads into Indochina, such as Vietnam, the Middle East and Russia.

**Growth in Accessories**
I have always stressed on the importance of the accessories business. If you think about it, every dollar that is spent on ornamental fish, you would have to spend between four to five dollars on purchasing accessories. This has also been the main impetus for the rising demand for aquarium & pet accessories from our distribution network in Singapore, Malaysia, Thailand and China. Currently, revenue from our accessories accounted for 39% whilst ornamental fish generated about 49%. Moving ahead, we will expect to see the contribution from accessories increasing as we focus on building new markets. As our accessories are exported to more than 20 countries, there is a lot of room for growth in this business segment.

**Strategic Stake in Arcadia Products PLC**
On 5 July 2007, we announced the acquisition of a 20% stake in Arcadia Products PLC (“Arcadia”) a manufacturer of aquarium lamps based in the United Kingdom. With a history that dates back to 1964, Arcadia has achieved a sterling reputation for its high-quality aquarium lighting products which are sold in a total of 90 specialist and general pet wholesales in the United Kingdom, and distributed to 55 countries worldwide.

**水族与宠物器材业务增长**
我向来强调水族与宠物器材业务的重要性。试想想，消费者在购买观赏鱼后，其花费在水族与宠物器材的费用是观赏鱼的4至5倍。这刺激了我们在新加坡、马来西亚、泰国和中国分销网络中对鱼缸和宠物水族与宠物器材的需求量。目前水族与宠物器材收入占总收入的39%，而观赏鱼则占49%。展望将来，在我们建立新市场的计划下，水族与宠物器材业务的收入预料会相应的取得增长。我们的水族与宠物器材目前外销到20余个国家，这方面的业务仍然有很大的发展空间。

**策略性收购阿卡迪亚产品公司股权**
2007年7月5日，我们宣布收购英国水族灯具生产商阿卡迪亚产品公司(Arcadia Products PLC)的20%股权。阿卡迪亚创建于1964年，在生产高质素的水族灯具产品方面拥有很好的声誉，其产品在英国由90个专卖和一般宠物批发中心销售，并且也分销到全球55个国家。

我们初期将付26万4000英镑(约81万3000新元)收购，并同意如果阿卡迪亚在截至2008年6月30日的2008财政年的净利超过40万英镑(约123万新元)，公司将另外支付相等于拥有20%股权部分净收益的六倍总额扣除初期已付款额后的差额。

如果阿卡迪亚在2008年财政年无法达到所需的净收益目标，仟湖将在截至2009年6月30日的2009财政年，根据同一计算方式，另外支付给阿卡迪亚相关的差额。
With an initial consideration of £264,000 (approximately S$813,000), we have agreed to pay a further consideration, amounting to 20% of 6 times the amount of NPT less the amount of Initial Consideration already paid, in the event Arcadia achieves a net profit after tax (“NPT”) of not less than £400,000 (approximately S$1.23 million) in its FY2008 ending 30 June 2008. In the event that Arcadia is unable to achieve the required NPT in FY 2008, Qian Hu will pay the Further Consideration to Arcadia calculated on the same formula for FY 2009 ending 30 June 2009, upon Arcadia achieving the required NPT in FY 2009.

We are very excited about this strategic stake in Arcadia, our second major acquisition in four years, as it marks our foray into the European aquarium and pet accessories market. Through Arcadia, we plan to set up a marketing arm in London, and further enhance our export of aquarium and pet accessories to the European continent.

Arcadia is also expected to outsource its entire production of aquarium lamps to our Guangzhou plant by FY 2008. In addition, we hope that Arcadia will significantly enhance our research and development capabilities in developing and improving aquarium and pet accessories. As our Guangzhou factory is developing more accessories products, enhancing our R&D strengths and expanding our distribution network in the European Union has become essential to the Group.

**Rewarding shareholders**

This year, we have delivered on our promise to add value and reward our loyal shareholders for their support of Qian Hu all these years, as well as to enlarge the capital base of the Group. On 5 June 2007, we announced
a special interim cash dividend of 8.54 cents less tax per ordinary share. Together with the payment of the net cash dividend, a rights cum warrant issue was proposed.

**Overall Outlook**
We have also begun to see Qian Hu bearing more fruit, which is represented by our strong profit growth. We expect that Year 2008 will be better than 2007.

**Appreciation**
Qian Hu has persevered and is once again on the growth track. I have so many people to thank – our board of directors, our staff, our business associates, as well as you, our beloved shareholders for believing in us and the Qian Hu story.

I would like to assure you that Qian Hu will not rest on its laurels – we have only just begun, and will continue to intensify the momentum of growth as we move into another exciting chapter.

Have a successful year ahead!

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Kenny Yap “The Fish”
Executive Chairman & Managing Director
1. 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 4% 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 Yanzhou 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.

Kenny graduated from Ohio State University (USA) with a 1st 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.

2. 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.

3. 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.

4. LAI CHIN YEE
FINANCE DIRECTOR
Ms Lai Chin Yee was the Group Financial Controller before assuming her appointment 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 holds a Bachelor’s degree in Accountancy from the National University of Singapore and is a fellow of the Institute of Certified Public Accountants of Singapore.

5. 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. He also plays an active role in overseeing the Group’s Human Resources as well as the maintenance and enhancement of the Group’s information management systems in Singapore and overseas, especially in assisting new entities within the Group establish their Management Information System seamlessly.

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).

6. 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.

7. 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, specialty chemicals and pharmaceuticals, and their underwriters in fund-raising and stock market flotations.

He is also the Secretary of the Board of Governors of Hwa Chong Institution and Hwa Chong International School as well as a trustee of the land on which the two schools are situated. 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.
Senior Management

CHINA

1. LOW ENG HUA
GROUP GENERAL MANAGER
MANAGING DIRECTOR - CHINA OPERATIONS
Mr Low joined the Group in 2001 and is responsible for overall management and business development of the Group. He also takes charge of the Group's operations in China. 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.

2. BOB GOH NGIAN BOON
GENERAL MANAGER
BEIJING QIAN HU AQUARIUM AND PETS CO., LTD
Mr Goh joined the Group in 2001 as the Sales and Marketing Manager in charge of Mass Market and Pet Products. He was appointed General Manager of our Guangzhou operations in 2005 and was transferred to our Beijing operations in August 2007 to handle the day-to-day operations and overseas the business activities and system implementation in Beijing. Prior to joining Qian Hu, Mr Goh was a Brand Manager with YHI Fabian (S) Pte Ltd, and has managed several high-profile FMCG brands such as Del Monte and Glad amongst other international brands. Mr Goh holds a diploma in Business Studies from Ngee Ann Polytechnic.

THAILAND

3. JIMMY TAN BOON KIM
MANAGING DIRECTOR
THAI QIAN HU COMPANY LIMITED
THAI QIAN HU MARKETING CO LTD
Prior to his current appointment in 2002, Mr Tan was the 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.

4. 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 its day-to-day operations.

MALAYSIA

5. GOH SIAK NGAN
MANAGING DIRECTOR
KIM KANG AQUACULTURE SDN BHD
KIM KANG FROZEN FOOD SDN BHD
Mr Goh is the founder of Kim Kang, and has over 20 years of experience in breeding Arowana. In 1992, he started his own farm in Batu Pahat which not only specialised in the breeding of Arowana but Arapaima Gigas and Red Gourami as well.

6. 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 Qian Hu 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 the Singapore Polytechnic.

SINGAPORE

7. 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 13 years, and is responsible for the growth of our plastics business in Singapore.

8. RAYMOND YIP CHEE WENG
GROUP HUMAN RESOURCE MANAGER
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.

9. YAP KIM CHOOON
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 win prizes in international competitions.
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

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

Registered Office
No. 71 Jalan Lekar
Singapore 698950
Tel: (65) 6766 7087
Fax: (65) 6766 3995
www.qianhu.com

Company Secretaries
LAI CHIN YEE
YE OH KAR CHOO SHARON

Share Registrar
M & C SERVICES PRIVATE LIMITED
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

Auditors
KPMG
CERTIFIED PUBLIC ACCOUNTANTS
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

PARTNER-IN-CHARGE
LEE JEE CHENG PHILIP
(appointed from year ended 31 December 2007)

Principal Bankers
THE DEVELOPMENT BANK OF SINGAPORE LTD
OVERSEA-CHINESE BANKING CORPORATION LIMITED
MALAYAN BANKING BERHAD
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
Group Structure

QIAN HU CORPORATION LIMITED

Qian Hu Fish Farm Trading

Yi Hu Fish Farm Trading

Wan Hu Fish Farm Trading

SUBSIDIARIES 100%

Qian Hu Tat Leng Plastic Pte Ltd
2 Woodlands Sector, #03-35
Woodlands Spectrum Singapore 738068
Tel: (65) 6752 7298  Fax: (65) 6752 7298
Website: www.tatleng.com

Beijing Qian Hu Aquarium and Pets Co., Ltd
Dong Fish Farm, Bei Ma Fang Village,
Jinzhong Town, Zhao Yang District, Beijing, China.
Tel: (8610) 8431 2255  Fax: (8610) 8431 6832

Qian Hu Aquarium and Pets (M) Sdn Bhd
Block E, Lot 6212, Kg. Baru Balakong 43300
Balakong, Selangor Darul Ehsan, Malaysia.
Tel: (603) 8961 5142  Fax: (603) 8961 5141

Qian Hu The Pet Family (M) Sdn Bhd
Block E, Lot 6212, Kg. Baru Balakong 43300
Balakong, Selangor Darul Ehsan, Malaysia.
Tel: (603) 8961 5142  Fax: (603) 8961 5141

Qian Hu Marketing Co Ltd
30/23 Moo 8 Tumbol Klong Nung,
Amphur Klong Laung,
Pathun Thani Province 12120 Thailand
Tel: (662) 902 6447  Fax: (662) 902 6446

Kim Kang Aquaculture Sdn Bhd
No. 5 & 6, Jalan Setiajaya, Taman Setia Jaya,
83000 Batu Pahat, Johor, Malaysia
Tel: (607) 428 9188  Fax: (607) 428 8213

Kim Kang Frozen Food Sdn Bhd
No. 5 & 6, Jalan Setiajaya, Taman Setia Jaya,
83000 Batu Pahat, Johor, Malaysia
Tel: (607) 428 9198  Fax: (607) 428 8213

Thai Qian Hu Co., Ltd.
30/25 Moo 8 Tumbol Klong Nung,
Amphur Klong Laung,
Pathun Thani Province 12120 Thailand
Tel: (662) 516 1155  Fax: (662) 516 1156

Thai Qian Hu Co., Ltd.
30/25 Moo 8 Tumbol Klong Nung,
Amphur Klong Laung,
Pathun Thani Province 12120 Thailand
Tel: (662) 902 6447  Fax: (662) 902 6446

Arcadia Products PLC
Arcadia House, Cairo New Road, Croydon CRO 1XP
United Kingdom
Tel: (4420) 8251 5544 Fax: (4420) 8251 5500

ASSOCIATE 20%

Association of Qian Hu Corporation Limited
## Financial Calendar

**2007**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 January</td>
<td>Announcement of full year results for financial year 2006 with media &amp; analysts briefing</td>
</tr>
<tr>
<td>23 February</td>
<td>Despatch of Annual Report 2006</td>
</tr>
<tr>
<td>19 March</td>
<td>Annual General Meeting (AGM)</td>
</tr>
<tr>
<td>11 April</td>
<td>Payment of final dividends declared for 2006</td>
</tr>
<tr>
<td>23 April</td>
<td>Announcement of first quarter results for financial year 2007</td>
</tr>
<tr>
<td>23 July</td>
<td>Announcement of first half results for financial year 2007 with media &amp; analysts briefing</td>
</tr>
<tr>
<td>25 September</td>
<td>Payment of special dividends (Rights cum Warrants issue)</td>
</tr>
<tr>
<td>22 October</td>
<td>Announcement of third quarter results for financial year 2007</td>
</tr>
</tbody>
</table>
## Value Added Statement

<table>
<thead>
<tr>
<th>($’000)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue earned</td>
<td>91,720</td>
<td>76,111</td>
</tr>
<tr>
<td>Less: Purchase of goods</td>
<td>(68,659)</td>
<td>(57,628)</td>
</tr>
<tr>
<td><strong>Gross value added from operations</strong></td>
<td><strong>23,061</strong></td>
<td><strong>18,483</strong></td>
</tr>
<tr>
<td>Other operating income</td>
<td>210</td>
<td>168</td>
</tr>
<tr>
<td>Exchange gain</td>
<td>271</td>
<td>293</td>
</tr>
<tr>
<td><strong>Total value added</strong></td>
<td><strong>23,542</strong></td>
<td><strong>18,944</strong></td>
</tr>
</tbody>
</table>

**Distribution:**

- To employees in salaries and other related costs: 11,718 / 10,083
- To government in corporate and other taxes: 1,826 / 1,597
- To providers of capital:
  - Interest paid on borrowings from bank: 839 / 706
- Retained for re-investment and future growth:
  - Depreciation and amortisation: 2,249 / 2,306
  - Accumulated profits: 4,948 / 2,617
  - Minority interest: 1,369 / 1,270
- Non-production cost and income:
  - Bad debts and provision for doubtful debts: 593 / 365

**Total distribution**: 23,542 / 18,944

### PRODUCTIVITY DATA

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>637</td>
<td>608</td>
</tr>
<tr>
<td>Value added per employee ($’000)</td>
<td>37</td>
<td>31</td>
</tr>
<tr>
<td>Value added per $ of employment cost</td>
<td>2.01</td>
<td>1.88</td>
</tr>
<tr>
<td>Value added per $ sales</td>
<td>0.26</td>
<td>0.25</td>
</tr>
<tr>
<td>Value added per $ of investment in property, plant and equipment</td>
<td>0.51</td>
<td>0.50</td>
</tr>
</tbody>
</table>
Group Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2007 $'000</th>
<th>2006 $'000</th>
<th>2005 $'000</th>
<th>2004 $'000</th>
<th>2003 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>91,720</td>
<td>76,111</td>
<td>66,267</td>
<td>65,492</td>
<td>67,680</td>
</tr>
<tr>
<td>Earnings Before Interests, Tax, Depreciation and Amortisation (EBITDA)</td>
<td>10,977</td>
<td>8,307</td>
<td>6,948</td>
<td>6,095</td>
<td>11,514</td>
</tr>
<tr>
<td>Net Profit Before Tax</td>
<td>7,919</td>
<td>5,311</td>
<td>4,088</td>
<td>3,487</td>
<td>9,554</td>
</tr>
<tr>
<td>Net Profit After Tax and Minority Interest (PATMI)</td>
<td>4,948</td>
<td>2,617</td>
<td>2,030</td>
<td>1,627</td>
<td>7,016</td>
</tr>
<tr>
<td>Net Profit Margin (%)</td>
<td>5.4%</td>
<td>3.4%</td>
<td>3.1%</td>
<td>2.5%</td>
<td>10.4%</td>
</tr>
<tr>
<td><strong>At Year End</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>88,823</td>
<td>75,589</td>
<td>68,421</td>
<td>64,882</td>
<td>57,246</td>
</tr>
<tr>
<td>Net Tangible Assets</td>
<td>53,493</td>
<td>46,611</td>
<td>43,798</td>
<td>40,545</td>
<td>39,870</td>
</tr>
<tr>
<td>Shareholders’ Fund</td>
<td>47,998</td>
<td>42,487</td>
<td>40,525</td>
<td>37,629</td>
<td>36,551</td>
</tr>
<tr>
<td>Total Equity</td>
<td>55,633</td>
<td>48,751</td>
<td>45,695</td>
<td>42,390</td>
<td>40,731</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>33,190</td>
<td>26,838</td>
<td>22,726</td>
<td>22,492</td>
<td>16,515</td>
</tr>
<tr>
<td>Cash and Cash Equivalent</td>
<td>5,450</td>
<td>5,467</td>
<td>4,336</td>
<td>4,153</td>
<td>4,124</td>
</tr>
<tr>
<td>Debt-to-Equity ratio (times)</td>
<td>0.60</td>
<td>0.55</td>
<td>0.50</td>
<td>0.60</td>
<td>0.45</td>
</tr>
<tr>
<td><strong>Per Share</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings Per Share (cents)</td>
<td>1.23*</td>
<td>0.64*</td>
<td>1.58</td>
<td>1.27</td>
<td>5.55</td>
</tr>
<tr>
<td>Gross Final Dividend Per Share (cents)</td>
<td>–</td>
<td>0.6</td>
<td>0.5</td>
<td>–</td>
<td>0.6</td>
</tr>
<tr>
<td>Gross Special Interim Dividend Per Share (cents)</td>
<td>8.54</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net Assets Value (cents)</td>
<td>13.5**</td>
<td>37.9</td>
<td>35.5</td>
<td>33.1</td>
<td>38.3</td>
</tr>
<tr>
<td>Net Tangible Assets (cents)</td>
<td>13.0**</td>
<td>36.4</td>
<td>34.1</td>
<td>31.6</td>
<td>37.5</td>
</tr>
<tr>
<td><strong>Returns (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Turnover</td>
<td>5.4%</td>
<td>3.4%</td>
<td>3.1%</td>
<td>2.5%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Return on Shareholders’ Equity</td>
<td>10.3%</td>
<td>6.2%</td>
<td>5.0%</td>
<td>4.3%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Return on Total Assets</td>
<td>5.6%</td>
<td>3.5%</td>
<td>3.0%</td>
<td>2.5%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

* after adjustment for rights and warrants issue in 2007
** based on enlarged share capital after rights and warrants issue in 2007
GROWTH INDICATORS

Revenue ($'000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>91,720</td>
<td>76,111</td>
<td>66,267</td>
<td>65,492</td>
<td>67,680</td>
</tr>
</tbody>
</table>

GROWTH INDICATORS

Net Profit ($'000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>7,016</td>
<td>4,948</td>
<td>2,030</td>
<td>1,627</td>
<td>2,617</td>
</tr>
</tbody>
</table>

REVENUE BY BUSINESS ACTIVITIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Fish</th>
<th>Accessories</th>
<th>Plastics</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>12%</td>
<td>39%</td>
<td>49%</td>
</tr>
<tr>
<td>2006</td>
<td>13%</td>
<td>63%</td>
<td>24%</td>
</tr>
</tbody>
</table>

PROFIT BY BUSINESS ACTIVITIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Fish</th>
<th>Accessories</th>
<th>Plastics</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>17%</td>
<td>6%</td>
<td>77%</td>
</tr>
<tr>
<td>2006</td>
<td>9%</td>
<td>8%</td>
<td>83%</td>
</tr>
</tbody>
</table>

REVENUE BY GEOGRAPHICAL LOCATION

<table>
<thead>
<tr>
<th>Year</th>
<th>Overseas</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>28%</td>
<td>72%</td>
</tr>
<tr>
<td>2006</td>
<td>32%</td>
<td>68%</td>
</tr>
</tbody>
</table>

PROFIT BY GEOGRAPHICAL LOCATION

<table>
<thead>
<tr>
<th>Year</th>
<th>Overseas</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>17%</td>
<td>83%</td>
</tr>
<tr>
<td>2006</td>
<td>23%</td>
<td>77%</td>
</tr>
</tbody>
</table>
Operating and Financial 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.

Overview

Currently, Qian Hu has presence in four countries, namely, Singapore, Malaysia, Thailand and China, which consists of 10 subsidiaries (collectively known as “the Group”).

The Group’s main business activities can be classified into:

Ornamental Fish
The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming and distribution activities. Ornamental fish are imported from countries in Southeast Asia, South America and Africa. The Group currently exports over 500 species and varieties of ornamental fish directly to more than 70 countries as well as distributes to local retailers and exporters. The “Qian Hu” Dragon Fish is increasing regarded as a premium brand in Northeast China.

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 5,000 types of aquarium and pet accessories for more than 20 major manufacturers and principals to local retailers and to wholesalers in Asia, including supermarkets operated by NTUC FairPrice, Cold Storage, Carrefour, Lotus and Tesco, etc.

In addition, the Group has developed its own house-brands of aquarium and pet accessories under the name “Ocean Free”, “Delikate”, “BARK” and “ARISTO-CATS YI HU”. The Group also has production facilities in Guangzhou, China to manufacture aquarium accessories for the Group as well as for third parties.

Plastics Bags
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.

Qian Hu – The Pet Family
The Group started penetrating the retail market with a chain store concept, “Qian Hu - The Pet Family” in 2004 which it intends to professionalise a highly fragmented market to mass market a niche industry. Since then, the Group opened 12 retail chain stores in China (3), Malaysia (5) and Thailand (4). All the chain stores sell both ornamental fish and related aquarium & pet accessories while some stores also conduct pet grooming activities.
Vision Objectives

**To become the world’s Number 1 ornamental fish exporter**
Omnamental fish will continue to be an important core business activity of the Group. Qian Hu is the only ornamental fish company in the world to be able to export fish from four countries, namely Singapore, Thailand, Malaysia and China. By exporting more fish to more customers and countries all over the world, while continuing to expand the domestic distribution network of ornamental fish in the four countries mentioned above, the Group is on track to become the world number 1 exporter in time to come. Currently, the Group export ornamental fish to more than 70 countries around the world. It intends to export ornamental fish to more than 80 countries globally in the coming years.

**To escalate export of aquarium and pet accessories and make “Ocean Free” one of the most recognized aquarium accessories brand**
With the acquisition of 20% stake in Arcadia Products PLC (“Arcadia”) in July 2007, it enables the Group to make its first foray into the European market. Arcadia has a sterling reputation for its high quality aquarium lighting products which are sold to a total of 90 specialists and general pet wholesalers in the United Kingdom, and are distributed to 55 countries around the world. Currently, the Group exports its “Ocean Free” brand (No. 1 aquarium accessories brand in Singapore - according to Euromonitor) of aquarium accessories products to approximately 20 countries around the world but with limited presence in Europe. Through Arcadia, it plans to set up a marketing arm in London to further establish its aquarium and pet accessories products in the Europe continent. It is the Group's intention to export its aquarium and pet accessories products to as many countries as its ornamental fish export.

**To be the most innovative and profitable Dragon Fish breeder**
China is a huge market for Dragon Fish, as is in Taiwan and Japan. Based on the improved sales recorded, the Group envisage that its Dragon Fish sales will continue to increase in the coming years. Qian Hu’s collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish has enabled the Group to increase the production of Dragon Fish in its farms, and hence enhance its ability to meet the future growth in demand of Dragon Fish and improve profitability from its Dragon Fish sales. The “Qian Hu” Dragon Fish has gradually established itself as a premium brand in North east China.

**To be one of the top 3 manufacturers of aquarium accessories in China**
The Group’s factory in Guangzhou produces aquarium accessories products for its subsidiaries, as well as third party customers. With the increasing orders for the manufactured products from its existing and new OEM customers, coupled with the transfer of Arcadia’s production facilities from UK to the Guangzhou factory by Year 2008, the production output from the Guangzhou factory is expected to increase. Accordingly, the revenue and profit contributions from the factory will increase, with the aim to emerge as one of the top 3 manufacturers in China for aquarium accessories.

**To expand distribution capabilities from owning the business to owning the customers**
In a process of professionalising a highly fragmented ornamental fish and aquarium & pets accessories retail market, the Group have set up 12 “Qian Hu - The Pet Family” retail chain stores throughout the region as at 31 December 2007, which provide better services, a wider product range in a visually-stimulating shopping environment, and thereby offering hobbyists and customers a different and more enjoyable shopping experience. The Group will continue to set up more of these retail chain stores in the future, especially in Malaysia.

In addition, the Group has more than 100 distribution point across China distributing its Dragon Fish and its house-brands of accessories products. The Group intends to further enhance its presence in China by increasing its marketing effort in penetrating the China market so as to increase the number of distribution points to 150 locations in Year 2008.
Financial Performance

<table>
<thead>
<tr>
<th>SELECTED PROFIT AND LOSS DATA</th>
<th>2007</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>%</td>
</tr>
<tr>
<td>Turnover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ornamental fish</td>
<td>45,336</td>
<td>39,598</td>
<td>14.5</td>
</tr>
<tr>
<td>- Accessories</td>
<td>35,350</td>
<td>26,581</td>
<td>33.0</td>
</tr>
<tr>
<td>- Plastics</td>
<td>11,034</td>
<td>9,932</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>91,720</strong></td>
<td><strong>76,111</strong></td>
<td><strong>20.5</strong></td>
</tr>
<tr>
<td>Less : Cost of sales</td>
<td>(60,175)</td>
<td>(49,138)</td>
<td>22.5</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td><strong>31,545</strong></td>
<td><strong>26,973</strong></td>
<td><strong>17.0</strong></td>
</tr>
<tr>
<td>Add : Other operating income</td>
<td>210</td>
<td>168</td>
<td>25.0</td>
</tr>
<tr>
<td>Less : Operating expenses</td>
<td>(23,860)</td>
<td>(21,830)</td>
<td>9.3</td>
</tr>
<tr>
<td>Operating profit</td>
<td>7,895</td>
<td>5,311</td>
<td>48.7</td>
</tr>
<tr>
<td>Add : Share of profit of associate</td>
<td>24</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td><strong>7,919</strong></td>
<td><strong>5,311</strong></td>
<td><strong>49.1</strong></td>
</tr>
<tr>
<td>Less : Taxation</td>
<td>(1,602)</td>
<td>(1,424)</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Profit after taxation</strong></td>
<td><strong>6,317</strong></td>
<td><strong>3,887</strong></td>
<td><strong>62.5</strong></td>
</tr>
</tbody>
</table>

Attributable to:

| Equity holders of the Company | 4,948 | 2,617 | 89.1 |
| Minority interests            | 1,369 | 1,270 | 7.8  |

**SELECTED BALANCE SHEET DATA**

<table>
<thead>
<tr>
<th>Total assets</th>
<th>2007</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>88,823</td>
<td>75,589</td>
<td>17.5</td>
</tr>
<tr>
<td>- Property, plant and equipment</td>
<td>12,439</td>
<td>11,490</td>
<td>8.3</td>
</tr>
<tr>
<td>- Brooder stocks</td>
<td>21,365</td>
<td>15,280</td>
<td>39.8</td>
</tr>
<tr>
<td>- Inventories</td>
<td>23,429</td>
<td>23,369</td>
<td>0.3</td>
</tr>
<tr>
<td>- Trade receivables</td>
<td>17,607</td>
<td>15,913</td>
<td>10.6</td>
</tr>
<tr>
<td>- Cash and cash equivalents</td>
<td>5,450</td>
<td>5,467</td>
<td>(0.3)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>33,190</strong></td>
<td><strong>26,838</strong></td>
<td><strong>23.7</strong></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>55,633</strong></td>
<td><strong>48,751</strong></td>
<td><strong>14.1</strong></td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td><strong>9,318</strong></td>
<td><strong>6,762</strong></td>
<td><strong>37.8</strong></td>
</tr>
</tbody>
</table>
For the year ended 31 December 2007, the ornamental fish and accessories activities continued to be the Group’s core activities, which together accounted for more than 88% of its total revenue. The Group’s overall revenue increased by approximately $15.6 million or 20.5% from $76.1 million for the year ended 31 December 2006 to $91.7 million for the year ended 31 December 2007.
**Ornamental Fish**

Dragon Fish sales continued to dominate the growth in ornamental fish turnover in the current financial year. The continuous effort to increase export of ornamental fish to more customers and countries around the world from Singapore, Thailand and Malaysia, has also contributed to the improved ornamental fish revenue in FY 2007 as compared to FY 2006. The Group managed to sell more ornamental fish to newly captured export markets, which include more provinces & cities in China (for Dragon Fish), Middle East, Russia and Australia (for other ornamental fish) in the current financial year.

**Accessories**

With the stabilised domestic market, more effort was channeled to explore untapped overseas markets in order to increase our accessories export from Singapore to more countries, which has accounted for approximately 65% of the overall increase in accessories revenue in the current financial year as compared to FY 2006. In addition, the Guangzhou factory’s revenue was higher in FY 2007 as it managed to secure increasing manufacturing orders from new and existing OEM customers since the 2nd half of 2006.

The Group’s subsidiaries in Malaysia, Thailand and China also managed to expand their distribution network in those countries to capture more sales in FY 2007 as compared FY 2006.

**Plastics**

Turnover from plastics activities is experiencing steady growth every quarter. Its turnover registered in FY 2007 surged as comparable to the previous financial year as it managed to focus on generating sales through selling more high value items and expanding its distribution channel and enlarged customer base.

On a geographical basis, revenue from Singapore and overseas grew by 8.1% and 26.3% respectively in FY 2007 as compared to FY 2006. Revenue from Singapore operations has shown improvement after having been through a process of consolidation. Both Singapore and overseas operations’ constant efforts in expanding their distribution network into overseas untapped markets contributed to the increase in overseas revenue.
## Operating Expenses

The breakdown of operating expenses is set out as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>%</td>
</tr>
<tr>
<td><strong>STAFF COST</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors’ remuneration</td>
<td>1,715</td>
<td>1,318</td>
<td>30.1</td>
</tr>
<tr>
<td>Salary and related cost</td>
<td>8,633</td>
<td>7,599</td>
<td>13.6</td>
</tr>
<tr>
<td>Provident fund contribution</td>
<td>680</td>
<td>594</td>
<td>14.4</td>
</tr>
<tr>
<td>Staff welfare benefits</td>
<td>690</td>
<td>572</td>
<td>20.6</td>
</tr>
<tr>
<td><strong>Total staff cost</strong></td>
<td>11,718</td>
<td>10,083</td>
<td>16.2</td>
</tr>
<tr>
<td><strong>PREMISES AND EQUIPMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of fixed and biological assets</td>
<td>2,206</td>
<td>2,262</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Rental of premises</td>
<td>997</td>
<td>1,294</td>
<td>(23.0)</td>
</tr>
<tr>
<td>Upkeep, repair and maintenance</td>
<td>1,174</td>
<td>897</td>
<td>30.9</td>
</tr>
<tr>
<td><strong>Total premises and equipment</strong></td>
<td>4,377</td>
<td>4,453</td>
<td>(1.7)</td>
</tr>
<tr>
<td><strong>Selling and distribution expenses</strong></td>
<td>2,805</td>
<td>2,480</td>
<td>13.1</td>
</tr>
<tr>
<td><strong>Interest expenses (net)</strong></td>
<td>832</td>
<td>690</td>
<td>20.7</td>
</tr>
<tr>
<td><strong>Bad trade receivables written off</strong></td>
<td>7</td>
<td>81</td>
<td>(91.3)</td>
</tr>
<tr>
<td><strong>Allowances for</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Doubtful trade receivables</td>
<td>593</td>
<td>295</td>
<td>101.1</td>
</tr>
<tr>
<td>- Due from associates</td>
<td>-</td>
<td>70</td>
<td>(100.0)</td>
</tr>
<tr>
<td><strong>Exchange gain (net)</strong></td>
<td>(271)</td>
<td>(293)</td>
<td>(7.4)</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td>1,110</td>
<td>1,146</td>
<td>(3.1)</td>
</tr>
<tr>
<td><strong>Consultancy and professional fees</strong></td>
<td>343</td>
<td>393</td>
<td>(12.7)</td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>2,346</td>
<td>2,432</td>
<td>(3.5)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>23,860</td>
<td>21,830</td>
<td>9.3</td>
</tr>
<tr>
<td>Group staff strength</td>
<td>639</td>
<td>603</td>
<td>6.0</td>
</tr>
</tbody>
</table>

The increase in operating expenses in the current financial year by $2.0 million as compared to FY 2006 was mainly due to higher personnel expenses incurred as a result of annual salary revision and the increase in overall headcount of the Group. This was in line with the higher revenue contributions and the expansion of the Group’s operations.

The increase in interest expenses for the year ended 31 December 2007 was mainly due to interest incurred on higher amount of bank borrowings during the financial year.
The better performance from all business activities in FY 2007 has resulted in the overall increase in operating profit (before taxation and minority interests) achieved by $2.6 million or 49.1% as compared to the previous financial year. Profit after taxation attributable to shareholders of the Company increased by 89.1% from $2.6 million in FY 2006 to approximately $5.0 million in FY 2007. The fish business remained the main profit contributor in FY 2007.

**Ornamental Fish**

The Group’s increase in operating profit from the ornamental fish activities was in line with the higher sales recorded and the better margins yielded from the sales of self-bred Dragon Fish.

**Accessories**

During the current quarter, the Group continued to make conscientious effort to gradually revive the accessories business margin back to a respectable level. With improved revenue generated and better profit margin contributions from the export of accessories, its profitability has shown improvement. In addition, with more manufacturing orders secured, the Group managed to further enhance the operational efficiency of its Guangzhou factory, which has lifted the profitability of accessories business significantly as compared to the corresponding period in 2006.
**Plastics**

Operating profit from the Group’s plastics activities recorded promising growth in FY 2007, which was in line with the improvement in revenue.

**Taxation**

Despite applying the concessionary tax rate of 10% from the Company’s IHQ status on its qualifying income in both years, the tax charge was higher than the amount obtained by applying the statutory tax rate on profit before taxation mainly due to:

(i) losses incurred by some subsidiaries which cannot be offset against profits earned by other companies in the Group. However, these losses are available for set-off against future profits of the respective subsidiaries subject to the agreement of the tax authorities; and

(ii) varying statutory tax rates of different countries in which the Group operates.
Cash Flows & Liquidity

Cash & Cash Equivalents

The movement in cash and cash equivalents is set out as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>$’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operating activities</td>
<td>8,650</td>
<td>9,361</td>
</tr>
<tr>
<td>Cash used in investing activities</td>
<td>(9,601)</td>
<td>(6,583)</td>
</tr>
<tr>
<td>Cash generated from (used in) operating activities</td>
<td>921</td>
<td>(1,660)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(30)</td>
<td>1,118</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents as at end of year</strong></td>
<td><strong>5,450</strong></td>
<td><strong>5,467</strong></td>
</tr>
</tbody>
</table>

Despite higher operating profit generated for the year ended 31 December 2007, the decrease in net cash generated from operating activities in the current financial year as compared to FY 2006 was mainly due to increase in the amount of trade receivables as a result of higher revenue registered.

Net cash used in investing activities was mainly related to the purchase of brooder stocks in Kim Kang Aquaculture Sdn Bhd and capital expenditure incurred for infrastructure and farm facilities in overseas entities, as well as cash payment of approximately $813K made to acquire 20% equity interest in an associate in July 2007.

Net cash generated from financing activities during the financial year was related to cash proceeds from the issuance of new shares arising from the exercise of employees’ share options and the exercise of warrants issued. In addition, there was drawdown of additional bank loans granted by financial institutions mainly to finance capital expenditure incurred.

The above amounts were partially offset by:
- repayment made to minority shareholders of a subsidiary,
- servicing of interest payments,
- settlement of finance lease obligations on a monthly basis; and
- payment of final dividend of approximately $634K made to shareholders in April 2007.
**Indebtedness**

The amount of Group’s borrowings for both financial years is as set out below:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td><strong>Due within 1 year:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills payable to banks</td>
<td>5,003</td>
<td>5,157</td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>165</td>
<td>182</td>
</tr>
<tr>
<td>Short term bank loans (unsecured)</td>
<td>7,100</td>
<td>6,300</td>
</tr>
<tr>
<td>Long term bank loans, current portion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Secured</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>- Unsecured</td>
<td>227</td>
<td>196</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>2,067</td>
<td>174</td>
</tr>
<tr>
<td><strong>Total Due within 1 year:</strong></td>
<td>14,592</td>
<td>12,049</td>
</tr>
<tr>
<td><strong>Due after 1 year:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>332</td>
<td>109</td>
</tr>
<tr>
<td>Long term bank loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Secured</td>
<td>111</td>
<td>128</td>
</tr>
<tr>
<td>- Unsecured</td>
<td>1,434</td>
<td>553</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>1,877</td>
<td>790</td>
</tr>
<tr>
<td><strong>Total Due after 1 year:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Indebtedness</strong></td>
<td>16,469</td>
<td>12,839</td>
</tr>
<tr>
<td>Debt-to-Equity ratio</td>
<td>0.60</td>
<td>0.55</td>
</tr>
</tbody>
</table>

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

The long-term loans comprise:
- a 7-year bank loan of RM0.5 million, secured by a mortgage on a subsidiary’s freehold land, bears interest at 8.00% (2006: 8.25%) per annum and is repayable in 84 instalments commencing January 2005;
- a 5-year unsecured bank loan of RM1.85 million, bears interest at 8.25% (2006: 8.25%) per annum and is repayable in 60 monthly instalments commencing August 2006; and
- a 10-year unsecured bank loan of RM2.5 million, bears interest at 8.25% (2006: Nil) per annum and is repayable in 120 monthly instalments commencing March 2007.

As at 31 December 2007, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $9.6 million (2006: $7.6 million), of which approximately $8.9 million (2006: $6.3 million) had been utilised.

In addition to the above, the Group has non-cancelable operating lease commitments relating to the premises for the fish farms in Singapore and China, office and factory premises for its local and overseas subsidiaries amounted to $0.9 million as at 31 December 2007, of which $0.3 million is due within 12 months.
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. The Group has institutionalised a comprehensive health management and quarantine system for all the domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for the fishes. Currently, all of the Group’s domestic and overseas fish operations have attained ISO 9002 certification.

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. The Group currently operates in 4 countries with assets and activities spreading across the Asia Pacific. As at 31 December 2007, almost 70% of the Group’s assets are located overseas as compared to 66% in FY 2006. Revenue from overseas’ customers constitute approximately 72% of the total revenue in FY 2007.

In view of the Group’s expansion plan, the percentage of its overseas assets and activities will continue to increase moving forward, thereby the effect of greater geographical diversification. A broader base of significant customers will reduce the risk of concentration in a single operation.

Product Risk
For the year ended 31 December 2007, the Group’s Dragon Fish sales contributed approximately 25% of the Group’s total revenue. The Group sells over 500 species and varieties of ornamental fish and more than 5,000 types of accessories to more than 70 countries and is not reliant on the sale of any particular type or specimen of fish and accessories.

Investment Risk
The Group grows its businesses through organic growth of its 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 professionals’ 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 the Group arises from sales, purchases and borrowings that are denominated in foreign currencies. The currencies giving rise to this risk are primarily United States Dollar, Euro and Japanese Yen.

The Group does not have any formal hedging policy against foreign exchange fluctuations. However, the Group continuously monitors the exchange rates of the 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 have 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 the foreign exchange exposure.

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

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

While the Group faces 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.

**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.

**Derivative Financial Instrument Risk**
The Group does not hold or issue derivative financial instruments for trading purposes.
Investment for the Future

The Group’s future growth depends on its ability to extract maximum potential from the overseas network and see them move from gestation to maturity both in the ornamental fish and accessories segment.

Accordingly, the Group has engaged in the following activities to enhance its competitiveness so as to achieve its vision objectives:

Human Resources
The biggest challenge for Qian Hu is always to get enough talent to execute its expansion plans. Therefore, the Group has formulated the following human resource strategies:

- Competitive employee: Designing innovative and flexible recruitment and retention strategies that effectively position Qian Hu as an employer of choice.
- Competent resource: Build a robust and effective manpower planning system, particularly to support company’s globalization and customer centric business direction and objectives.
- Learning and thinking workforce: Fostering a culture of learning, innovation, creativity, and continuous improvement in a team based environment.
- Family culture environment: Promoting and inculcating a one big family culture, resulting in an integral bond of trust and integrity to everything we do.
- Management trainee scheme: Management trainees recruited for posting to various countries under the supervision of senior managers. They will eventually form the core group of the succession team.

R&D Project
The Group believes that in order to be ahead of the pack, it must excel in know-how.

The Group’s collaboration work with Temasek Life Sciences Laboratory since four years ago on the studies of the Asian Arowana (Dragon Fish) using molecular technologies has yielded valuable results. It has developed a molecular method for the identification of parent-sibling connections, and according to knowledge, Qian Hu is the only farm who knows the exact contribution of the brooder stocks to the total production of ponds. The outcomes of the research were implemented on the breeding program as well as other aspects of the Dragon Fish operations in the farm and their beneficial effects to the improved performance of Dragon Fish sales. The Group is currently at the end of the first phase of the collaborative R&D project and it is now in the process of finalising another agreement on the second phase. In the second phase, Qian Hu has applied to the Economic Development Board (EBD) Innovative Development Scheme (IDS) to harness their financial support.

Capital Expenditure
In FY 2007, capital expenditure incurred for infrastructure and farm facilities in both the Singapore and overseas entities amounted to $2.4 million. The purchase of brooder stocks have accounted for $6.5 million of the capital expenditure for the financial year.

In FY 2008, with the successful tender for a land parcel adjacent to its Singapore farm, a bulk of the intended capital expenditure during the year will be utilised to construct and expand the existing Dragon Fish breeding and farming facilities in Singapore. In addition, the Group will continue to invest in farming facilities and the purchase brooder stocks in its Malaysia Dragon Fish farm so as to enhance its production capabilities, along with the on-going maintenance of the Group’s farm facilities.
Returns to Shareholders

Earnings per ordinary share (EPS)
The basic and diluted EPS for FY 2007 was 1.34 and 1.23 cents respectively. Compared to FY 2006, both basic and diluted EPS increased by approximately 0.60 cents, which was in line with the higher profit after tax recorded in FY 2007.

Dividends
As the Group is still growing its operations, cash is needed for its expansion. On the other hand, the Company would like to reward its supportive shareholders. As such, the Group has not set a concrete dividend policy at present. After taken into consideration the Group’s profit growth, cash position, positive cash flow generated from operations, and the projected capital requirements for business expansion, a gross final dividend of 0.6 cents per ordinary share in respect of financial year ended 31 December 2006 was paid in April 2007.

In addition, the following exercises were undertaken by the Company in July 2007:-
(a) payment of a special interim cash dividend for the financial year 2007 of 8.54 cents less tax of 18% (or 7.0 cents net) per ordinary share; and
(b) adoption of a renounceable non-underwritten rights issue (“Rights Shares”) at an issue price of S$0.035 for each Rights Share, with free detachable warrants (“Warrants”), each Warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.035 for each new share, on the basis of two Rights Shares for every one existing share in the capital of the Company held, and one Warrant for every four Rights Shares subscribed, fractional entitlements to be disregarded (the “Rights cum Warrants Issue”).

The purpose of the cash dividend is to further reward our shareholders for their loyalty and support to the Company over the years. With this special dividend payout, shareholders not only enjoyed the Company’s Section 44 tax credits passed on to them, but also the option to re-invest their cash dividend by subscribing for the Rights Shares.
Our Stakeholders

At Qian Hu, we place strong emphasis on our stakeholders – in developing our people to achieve their highest potential; in communications with our shareholders and investors, and in reaching out to our community, which includes environment protection.

Our stakeholders are equally, if not more important than our business and we will do whatever is necessary to ensure that their needs are met.

Developing Our People

Certified as a People Developer since November 2005, Qian Hu is focused on developing a workforce that continues to learn and think. Supported by a strong, nurturing management team, and with a cutting-edge framework, we have the necessary resources to facilitate continual growth and development in our people. At Qian Hu, everyone is part of the extended family and are integral parts of out “People First” culture. Besides prioritizing staff welfare, we have a systematic performance appraisal system in place to ensure that every Qian Hu staff continues to be motivated to bring more value to the Group.

For the past three fiscal years, we capped our training expenditure at 2% of total payroll. In FY 2007, each staff spent approximately 74 training hours with utilisation of training places exceeded 70%. This further underscores our commitment and investment in this vital area of human resource development. During the year in review, a total of 36 staff were sent to attend training on workplace safety, supervisory and language enhancement courses. In addition, our staff working in operations underwent external training as well as internal on-the-job training by our divisional directors and managers.

To ensure continuity, Qian Hu seeks to build its pool of management talent comprising people who identify with our corporate values, culture and business objectives. Management trainees are sent on postings to its overseas subsidiaries for a number of years, thereby helping them to gain a more rounded, cross-cultural experience as well as an in-depth appreciation of the industry at a regional level. Our management development programme also includes the opportunity to be trained at one of our many reputable partners, and then transferring the know-how to the Group.

In keeping with our culture of having a fun work environment, we have also organized regular recreational staff activities such as yoga sessions and bowling competitions, as well as staff annual dinner and invitations to popular musicals. Our staff welfare programmes have proven to be very popular amongst our staff, with more than 90% participation over the past two years.
Our Community & the Environment

Since 2001, Qian Hu has continued to extend its care and concern to the community as part of its family culture. The Group firmly believes that our business is about enhancing the modern lifestyle and the environment which should also include the needs of the community.

For the past six years, our contribution to charity – approximately 1.3% of pre-tax profit – has stayed above the national average index of 0.22%.

Our “Dollar for Dollar” donation scheme, where staff members are encouraged to donate to charities and the Company will match their donations, dollar-for-dollar, generated $3,000 for Zion Home for the Aged as well as $3,917 for a colleague suffering from kidney failure. Our annual charity fish exhibition at Bugis Junction had also contributed $20,000 to the St. John’s Home for the Elderly.

At Qian Hu, we balance our goals of creating value in our business with a strong responsibility to minimize the impact that our business activities have on the environment. Through our ISO 14001 certified Environmental Management System, we strive to preserve and recycle our natural resources in our daily activities. Not neglecting the plight of endangered wildlife, our entire operations are compliant with the standards set out by the United Nations’ Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

You may also notice that we have begun using recycled paper in this year’s Annual Report. We will continually strive to use paper more efficiently in our printed communications.
Our Shareholders & Investors

We understand the importance of having accessibility to the media, analysts and the investing public through an effective investor relations programme. Since our listing in 2000, we have been very committed and innovative in demonstrating our corporate responsibility. We were the first listed company to record the comments of our shareholders at our Annual General Meetings, and making the minutes available on both the SGXNET and our website (www.qianhu.com). We are also the first to offer an automated phone hotline service where callers are able to get information on their reward points, give feedback and even obtain the latest Qian Hu stock quotes in real-time.

Our results briefings, held twice yearly, are open to the media, analysts and investment community. Those who cannot make it have the option to watch it through recorded video webcasts or live audio webcasts. After our results announcements, we usually offer the investment community a deeper understanding of our business and industry through an online open forum on Shareinvestor.com.

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Committed to the best practices in corporate transparency and governance, Qian Hu has been recognized 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).

Most recently, we were named by IR Magazine in its Southeast Asia Awards 2007 for 4 awards:
- Grand Prix for Best Overall Investor Relation (Small or Mid-Cap category)
- Best Corporate Governance (Small or Mid-Cap category)
- Best Financial Reporting (Small or Mid-Cap category)
- Most Progress in Investor Relations (Small or Mid-Cap category)

Qian Hu was also amongst 19 companies that won the Professional Enterprise Award (Prestige category) from Asian Management Association (AMA) and Certified Consultant Academy (CCA) in 2007. This inaugural award is given to an enterprise that is competitive in its own market segment, with comprehensive management systems in the 5 key areas such as Strategy & Leadership, Marketing Management, Human Resource Development, Operations & Execution Capabilities, and Financial Management.

The ornamental fish industry is also a vital stakeholder. Our Executive Chairman serves as Chairman of Ornamental Fish Business Cluster which aims to reinforce Singapore as an Ornamental Fish Export Centre, as well as develop centres of research, training and quality consultancy services for the industry in Singapore and the region.

Recognizing that the drivers of the industry lie in the youth of today, Kenny also chairs the Youth Award for Entrepreneurship Committee where he contributes by sharing his passion and experience to inspire and motivate young entrepreneurs.
Recognition for Business Excellence

**Professional Enterprise Award 2007**
Awarded by Asian Management Association and Certified Consultant Academy

**People Developer Standard 2006**
Awarded by Spring Singapore

**ZDNet Asia Smart50 2006**
Awarded by ZDNet Asia in recognition of our IT initiative “FISH”

**Singapore Quality Award 2004**
Awarded by Spring Singapore

**International Headquarters Award 2003**
Awarded by Ministry of Trade and Industry

Recognition for Excellence in Corporate Transparency

- Top ranking

**Singapore Corporate Awards 2006**
- Best Investor Relations Award (Gold - Market capitalisation of less than $500 million)
- Best Annual Report Award (Gold - Market capitalisation of less than $500 million)

**SIAS Most Transparent Company Award 2007**
- Winner in Mainboard Small Caps (up to $100 million) category

**SIAS Most Transparent Company Award 2006**
- Runner-up in Mainboard Small Caps (up to $100 million) category

**SIAS Most Transparent Company Award 2005**
- Runner-up in Mainboard Small Caps (up to $100 million) category

**SIAS Most Transparent Company Award 2004**
- Winner in Mainboard Small Caps (up to $100 million) category
- Runner-up in Services/Utilities/Agriculture category

**SIAS Most Transparent Company Award 2003**
- Winner in Services/Utilities/Agriculture category
- Golden Circle Special Merit Award

**IR Magazine Southeast Asia Awards 2007**
- Grand Prix for Best Overall Investor Relations (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)
Qian Hu Milestones

Qian Hu Story
Our history can be traced back to the early days of the Company's pioneers - two brothers who were in the pig farming business - Mr Yap Tik Huay, the father of our Executive Chairman Kenny Yap, and his brother, Mr Yap Hey Cha, father of our Deputy Managing Directors Alvin Yap and Andy Yap.

1985
As a result of urban redevelopment, the Yaps, together with Tik Huay's three sons, Peng Heng, Hock Huat and Kim Choon, converted the old pig pens into concrete ponds and bred guppies for local exporters.

1989
A severe thunderstorm wiped out all the guppies. Having to start all over again, and with a new name "Qian Hu" (literally, Thousand Lakes in Chinese), Kenny and cousins Alvin and Andy, were more than ever determined to rebuild the family business.

1989
They went on to farm High-Fin Loaches despite knowing very little about this fish. In one fell swoop, their entire stock of 4,000 Loaches died. They lost almost everything, except their resolve, mettle and determination to rise up again.

To remind them of the vital lesson on diversifying risks and focus on product knowledge, they kept the High-Fin Loach as Qian Hu's mascot - which serves as a daily reminder to them.

1990
Expanded into the local wholesale distribution business with a wider range of ornamental fish and aquarium accessories.

1993
Forayed into the China market with a joint venture in Beijing, supplying cold-water ornamental fish and aquarium accessories.

1995
Awarded three ISO 9002 certifications and an ISO 14001 for environmental management system.

1997
Launched auto-packing machinery for packing of fish.

1999
Expanded the accessories distribution to Malaysia, China and Thailand.
2000
The year Qian Hu became a public listed company on SESDAQ.

2001
Established Guangzhou as our manufacturing hub for aquarium and pet accessories.

2002
Transferred to Mainboard.

2003
Acquired Kim Kang Aquaculture Sdn Bhd - the leading Dragon Fish breeder in Malaysia.

2004
Launch of “Qian Hu - The Pet Family” retail chain stores in Malaysia, China and Thailand.

2005
Year of transformation and consolidation for the Group.

2006
A turnaround year for Qian Hu as all of our core business did well, including our 12 retail chain stores in Malaysia, Thailand and China.

2007
Acquisition of a 20% stake in UK-based Arcadia Products PLC.
Corporate Governance Report
The Board of Directors and Management continue to be committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Singapore Code of Corporate Governance 2005 (the “Code”) issued by the Ministry of Finance on 14 July 2005.

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

**BOARD MATTERS**

**The Board’s Conduct of its Affairs**

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

<table>
<thead>
<tr>
<th><strong>Guidelines of the Code</strong></th>
<th><strong>Qian Hu Corporate Governance practices</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>1.1</strong> The board’s role is to:</td>
<td>The primary function of the Board is to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board roles are to:</td>
</tr>
<tr>
<td>(a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;</td>
<td>• guide the formulation of the Group’s overall long-term strategic objectives and directions;</td>
</tr>
<tr>
<td>(b) establish a framework of prudent and effective controls which enables risk to be assessed and managed;</td>
<td>• oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;</td>
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<tr>
<td>(c) review management performance; and</td>
<td>• ensure management discharges business leadership and management skills with the highest level of integrity;</td>
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<tr>
<td>(d) set the company’s values and standards, and ensure that obligations to shareholders and others are understood and met.</td>
<td>• approve major investment and divestment proposals, material acquisitions and disposals of assets, major corporate policies on key areas of operations, annual budget, the release of the Group’s quarterly, half year and full year results and interested person transactions of a material nature; and</td>
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<td>• assume responsibility for corporate governance.</td>
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<tr>
<td>Guidelines of the Code</td>
<td>Qian Hu Corporate Governance practices</td>
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<tr>
<td>1.2 All directors must objectively take decisions in the interests of the company.</td>
<td>The Board of Directors is obliged to act in good faith and consider all times the interest of the Company.</td>
</tr>
<tr>
<td>1.3 If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation should be disclosed.</td>
<td>To assist in the execution of its responsibilities, the Board has delegated decisions on certain Board matters to specialized Board Committees. Minutes of the Board Committee meetings are available to all Board members. Please refer to Table 1 – Board and Board Committees.</td>
</tr>
<tr>
<td>1.4 The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association to provide for telephonic and videoconference meetings. The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company’s annual report.</td>
<td>The Articles of Association of the Company provide for directors to convene meetings by teleconferencing or videoconferencing. When a physical meeting Board meeting is not possible, timely communication with members of the Board can be achieved through electronic means. Please refer to Table 2 – Attendance at Board and Board Committee Meetings.</td>
</tr>
<tr>
<td>1.5 Companies should adopt internal guidelines setting forth matters that require board approval, and specify in their corporate governance disclosures the type of material transactions that require board approval under such guidelines.</td>
<td>The Company has adopted a set of Approving Authority &amp; Limit, setting out the level of authorization required for specified transactions, including those that require Board approval.</td>
</tr>
<tr>
<td><strong>Guidelines of the Code</strong></td>
<td><strong>Qian Hu Corporate Governance practices</strong></td>
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<tr>
<td>1.6 Every director should receive appropriate training when he is first appointed to the Board. This should include an orientation program to ensure that incoming directors are familiar with the company’s business and governance practices.</td>
<td>All new directors undergo comprehensive orientation and training programme to provide them with extensive background information about the Group’s history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors also have the opportunity to visit the Group’s operational facilities and meet with the Management to gain a better understanding of the Group’s business operations.</td>
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<tr>
<td>It is equally important that directors should receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.</td>
<td>The Board as a whole is updated regularly on risks management, corporate governance and the key changes in the relevant regulatory requirements and financial reporting standards.</td>
</tr>
<tr>
<td>1.7 Upon appointment of each director, companies should provide a formal letter to the director, setting out the director’s duties and obligations.</td>
<td>A formal letter is sent to newly-appointed directors upon their appointment explaining their statutory and other duties and responsibilities as directors.</td>
</tr>
<tr>
<td>1.8 The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.</td>
<td>The Company has an on-going training budget for all directors to receive further relevant training of their choice in connection with their duties. Relevant courses include programmes run by the Singapore Institute of Directors or other training institutions.</td>
</tr>
</tbody>
</table>
**Board Composition and Guidance**

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

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

#### 2.5 Non-executive directors should:

(a) constructively challenge and help develop proposals on strategy; and  
(b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

#### 2.6 Non-executive directors are encouraged to meet regularly without management present.

### Qian Hu Corporate Governance practices

The independent directors communicate regularly to discuss matters such as the Group’s financial performance, corporate governance initiatives and the remuneration of the Executive Directors.

Where necessary, the Company co-ordinates informal meeting sessions for independent directors to meet without the presence of the Management.

### Chairman and Chief Executive Officer

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

### Guidelines of the Code

#### 3.1 The Chairman and chief executive officer (“CEO”) should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and CEO should be clearly established, set out in writing and agreed by the Board. In addition, companies should disclose the relationship between the Chairman and CEO where they are related to each other.

### Qian Hu Corporate Governance practices

The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

All major decisions made by the Executive Chairman and CEO are reviewed by the Audit Committee (“AC”). His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the Remuneration Committee (“RC”). As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.
### Guidelines of the Code

3.2 The Chairman should:

(a) lead the Board to ensure its effectiveness on all aspects of its role and set its agenda;

(b) ensure that the directors receive accurate, timely and clear information;

(c) ensure effective communication with shareholders;

(d) encourage constructive relations between the Board and Management;

(e) facilitate the effective contribution of non-executive directors in particular;

(f) encourage constructive relations between executive directors and non-executive directors; and

(g) promote high standards of corporate governance.

3.3 Companies may appoint an independent non-executive director to be the lead independent director where the Chairman and the CEO is the same person, where the Chairman and the CEO are related by close family ties, or where the Chairman and the CEO are both part of the executive management team.
Board Membership

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

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

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

4.6 The following information regarding directors, should be disclosed in the annual report of the Company:

- academic and professional qualifications;
- shareholding in the company and its subsidiaries;
- board committees served on (as a member or Chairman), date of first appointment and last-election as a director;
- directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments;
- indicate which directors are executive, non-executive or considered by the NC to be independent; and

The names of the directors submitted for election or re-election should also be accompanied by such details and information to enable shareholders to make informed decisions.

**Qian Hu Corporate Governance practices**

The profiles of the directors are set out on page 19 of this Annual Report. Please refer to Table 3 - Date of Directors’ initial appointment & last re-election and their directorships.

Except as disclosed in Table 3, there were no other directorships or chairmanships held by the directors over the preceding three years in other listed companies.
**Board Performance**

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

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<th><strong>Guidelines of the Code</strong></th>
<th><strong>Qian Hu Corporate Governance practices</strong></th>
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<tr>
<td>5.1 Every Board should implement a process to be carried out by the NC for assessing the</td>
<td>The NC has established review process to assess the performance and effectiveness of the Board as a whole as well as to access the</td>
</tr>
<tr>
<td>effectiveness of the Board as a whole and for assessing the contribution by each individual</td>
<td>contribution of individual directors.</td>
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<td>director to the effectiveness of the Board. This assessment process should be disclosed in</td>
<td>The Board, through the NC, has used its best effort to ensure that directors appointed to the Board, whether individually or</td>
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<tr>
<td>the annual report.</td>
<td>collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills</td>
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<td></td>
<td>critical to the Group’s business. It has also ensured that each director, with his special contributions, brings to the Board</td>
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<td></td>
<td>an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.</td>
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<tr>
<td>5.2 The NC should decide how the Board’s performance may be evaluated and propose objective</td>
<td>Reviews of the Board performance, as appropriate, are undertaken collectively by the Board annually and informally on a continual</td>
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<tr>
<td>performance criteria. Such performance criteria, which allow for comparison with industry</td>
<td>basis by the NC with inputs from the Board members.</td>
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<td>peers, should be approved by the Board and address how the Board has enhanced long term</td>
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<tr>
<td>shareholders’ value.</td>
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<tr>
<td>5.3 Performance evaluation should also consider the company’s share price performance over</td>
<td>Please refer to Guideline 5.5 below.</td>
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<tr>
<td>a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its</td>
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<td>industry peers.</td>
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<td><strong>Guidelines of the Code</strong></td>
<td><strong>Qian Hu Corporate Governance practices</strong></td>
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<tr>
<td>5.4 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties). The Chairman should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors, in consultation with the NC.</td>
<td>Please refer to Guideline 5.1 above. Replacement of directors, when it happens, does not reflect their contributions to date, but may be driven by the need to align the Board with the medium or long term needs of the Group.</td>
</tr>
<tr>
<td>5.5 Other performance criteria that may be used include return on assets (&quot;ROA&quot;), return on equity (&quot;ROE&quot;), return on investment (&quot;ROI&quot;) and economic value added (&quot;EVA&quot;) over a longer-term period.</td>
<td>The Board has taken the view that financial indicators, as set out in the Code as a guide for the evaluation of the Board and its directors, may not be appropriate as these are more of a measurement of Management’s performance and therefore less applicable to directors.</td>
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Access to Information

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

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<th>Guidelines of the Code</th>
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<tr>
<td>6.1 Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his or her duties properly. Hence, the Board should have separate and independent access to the company's senior management.</td>
<td>All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with detailed information concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management. As a general rule, detailed Board papers prepared for each meeting are normally circulated five days in advance of each meeting. However, sensitive matters maybe tabled at the meeting itself or discussed without papers being distributed. The Board papers include sufficient background explanatory information from the Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Such explanatory information may also be in the form of briefings to the directors or formal presentations made by senior management staff in attendance at Board meetings, or by external consultants engaged on specific projects. The Board has separate and independent access to the Company Secretaries and to other senior management executives of the Company and of the Group at all times in carrying out their duties.</td>
</tr>
<tr>
<td>Guidelines of the Code</td>
<td>Qian Hu Corporate Governance practices</td>
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<tr>
<td><strong>6.2</strong> Information provided should include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.</td>
<td>The Board receives monthly management financial statements, annual budgets and explanation on forecasts variances to enable them to exercise oversight over the Group’s operational and financial performance.</td>
</tr>
<tr>
<td><strong>6.3</strong> Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary’s responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.</td>
<td>Complied. The Company Secretaries attend all Board meetings and meetings of the Board committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with.</td>
</tr>
<tr>
<td><strong>6.4</strong> The appointment and the removal of the company secretary should be a matter for the Board as a whole.</td>
<td>Complied.</td>
</tr>
<tr>
<td><strong>6.5</strong> The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.</td>
<td>Where the directors, whether individually or as a group, require independent professional advice in furtherance their duties, the Company Secretaries will appoint a professional advisor to render the advice and keep the Board informed of such advice, with cost to be borne by the Company.</td>
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**REMUNERATION MATTERS**

Procedures for Developing Remuneration Policies

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

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

### Guidelines of the Code

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<th>Number</th>
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<tr>
<td>8.1</td>
<td>The performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing executive directors’ performance.</td>
</tr>
<tr>
<td>8.2</td>
<td>The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors and should not be over-compensated to the extent that their independence may be compromised.</td>
</tr>
<tr>
<td>8.3</td>
<td>There should be a fixed appointment period for all executive directors in their service contract which should not be excessively long or with onerous removal clauses.</td>
</tr>
</tbody>
</table>

### Qian Hu Corporate Governance practices

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the executive directors and senior management is commensurate with the Company’s and their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key executives) is reviewed periodically by the RC and the Board.</td>
</tr>
<tr>
<td>The independent directors receive directors’ fees, in accordance with their contributions, taking into account factors such as effort and time spent; responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain the directors. Directors’ fees are recommended by the Board for approval at the Company’s AGM.</td>
</tr>
<tr>
<td>The remuneration for the executive directors comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. Service contracts, if any, for executive directors, are for a fixed appointment period and do not contain onerous removal clauses.</td>
</tr>
</tbody>
</table>
8.4 The RC should encourage long-term incentive schemes and review whether directors are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year. Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

8.5 The company should be aware of pay and employment conditions within the industry and in comparable companies when setting remuneration packages.

8.6 Notice periods in service contracts should be set at a period of six months or less.
Disclosure on Remuneration

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

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

Accountability

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

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

Audit Committee

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

<table>
<thead>
<tr>
<th>Guidelines of the Code</th>
<th>Qian Hu Corporate Governance practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 The AC should comprise at least three directors, all non-executive, the majority of whom, including the Chairman, should be independent.</td>
<td>The Board established the AC in October 2000 which consists of three independent directors. Please refer to Table 1 – Board and Board Committee – on the composition of the AC.</td>
</tr>
<tr>
<td>Guidelines of the Code</td>
<td>Qian Hu Corporate Governance practices</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>11.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.</td>
<td>The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC’s responsibilities.</td>
</tr>
<tr>
<td>11.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.</td>
<td>The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any executive director or executive officer to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.</td>
</tr>
<tr>
<td>11.4 The duties of the AC should include:</td>
<td></td>
</tr>
<tr>
<td>(a) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;</td>
<td>The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seek to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.</td>
</tr>
<tr>
<td>(b) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company’s financial performance;</td>
<td>The AC meets on a quarterly basis to review the quarterly and audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval.</td>
</tr>
<tr>
<td>(c) reviewing the adequacy of the company’s internal controls;</td>
<td>The AC evaluates the adequacy of the internal control systems of the Company through discussion with Management and its auditors.</td>
</tr>
<tr>
<td><strong>Guidelines of the Code</strong></td>
<td><strong>Qian Hu Corporate Governance practices</strong></td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>11.4 The duties of the AC should include: (Cont’d)</td>
<td>The AC discusses with the Management the significant internal audit observations, together with the management’s responses and actions to correct any deficiencies. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.</td>
</tr>
<tr>
<td>(d) reviewing the effectiveness of the company’s internal audit function; and</td>
<td>(e) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.</td>
</tr>
<tr>
<td></td>
<td>The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.</td>
</tr>
<tr>
<td>11.5 The AC should meet with the external auditors, and with the internal auditors, without the presence of the company’s Management, at least annually.</td>
<td>The AC meets with the internal auditors and the external auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.</td>
</tr>
<tr>
<td>11.6 The AC should review the independence of the external auditors annually.</td>
<td>There was no non-audit related work carried out by the external auditors during the current financial year. The AC is satisfied with their independence.</td>
</tr>
<tr>
<td>11.7 The AC should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.</td>
<td>The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to Mr Chang Weng Leong, Chairman of the RC. Details of the whistle-blowing policies and arrangements have been made available to all employees.</td>
</tr>
<tr>
<td>Guidelines of the Code</td>
<td>Qian Hu Corporate Governance practices</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>11.8 The Board should disclose the names of the members of the AC and details of the Committee’s activities in the company’s annual report.</td>
<td>Please refer to Table 1 - Board and Board Committee - on names of the members of the AC.</td>
</tr>
<tr>
<td></td>
<td>The AC meets regularly with the Management and the external auditors to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group.</td>
</tr>
<tr>
<td></td>
<td>The AC also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses accounting implications of major transactions including significant financial reporting issues.</td>
</tr>
</tbody>
</table>

**Internal Controls**

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

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

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle. Having identified the risks to the achievement of their strategic objectives, each business is required to document the mitigating actions in place and proposed in respect of each significant risk. The approach to risk management and internal controls are set out in the “Operating and Financial Review” section on pages 40 and 41 of this Annual Report.
### Internal Audit

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

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

Communication with Shareholders

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

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

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

<table>
<thead>
<tr>
<th><strong>Guidelines of the Code</strong></th>
<th><strong>Qian Hu Corporate Governance practices</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>15.1</strong> Shareholders should have the opportunity to participate effectively and to vote in AGMs. They should be allowed to vote in person or in absentia. Companies are encouraged to make the appropriate provisions in their Articles of Association to allow for absentia voting methods such as by mail, email, fax, etc, if the shareholders so consent.</td>
<td>The Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.</td>
</tr>
<tr>
<td><strong>15.2</strong> There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid “bundling” resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are “bundled”, companies should explain the reasons and material implications.</td>
<td>All the resolutions at the AGM are single item resolutions.</td>
</tr>
<tr>
<td><strong>15.3</strong> The chairpersons of the Audit, Nomination and Remuneration committees should be present and available to address questions at general meetings. The external auditors should also be present to address shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report.</td>
<td>The Chairmen of the Executive, Audit, Remuneration and Nominating Committees are in attendance at the Company’s AGM to address shareholders’ questions relating to the work of these Committees. The Company’s external auditors are also invited to attend the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors’ report.</td>
</tr>
<tr>
<td>Guidelines of the Code</td>
<td>Qian Hu Corporate Governance practices</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td><strong>15.4</strong> Companies are encouraged to amend their Articles of Association to avoid imposing a limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend AGMs as proxies.</td>
<td>We do not have a specific limit in our Articles of Association on the number of proxy votes for nominee companies. However, there is a limit for the number of proxies for all shareholders to two.</td>
</tr>
<tr>
<td><strong>15.5</strong> Companies are encouraged to prepare minutes or notes of general meetings, which include substantial comments or queries from shareholders and responses from the Board and management, and to make these minutes or notes available to shareholders upon their requests.</td>
<td>The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues and ask the directors or the Management questions regarding the Company and its operations. For the past five years AGM, the Board has developed several channels, such as the Group’s website, an automated hotline, email or fax, for the shareholders, who are not able to attend the AGM, to contribute their feedback and inputs. Questions received are answered during the AGM and detailed AGM minutes are posted onto both the SGX and the Company’s website after the meeting.</td>
</tr>
</tbody>
</table>
DEALING IN SECURITIES
The Group has adopted an internal code which prohibits the directors and executives of the Group from dealing in the Company’s shares during the periods commencing one month prior to the announcement of the Group’s quarterly, half-yearly and full year results and ending on the date of the announcement of the results, or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company’s shares on short-term considerations.

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

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

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

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

TABLE 1 – BOARD AND BOARD COMMITTEES

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

TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Board</th>
<th>Executive Committee</th>
<th>Audit Committee</th>
<th>Nominating Committee</th>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings held</td>
<td>4</td>
<td>12</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Number of meetings attended:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenny Yap Kim Lee</td>
<td>4</td>
<td>12</td>
<td>4*</td>
<td>1*</td>
<td>1*</td>
</tr>
<tr>
<td>Alvin Yap Ah Seng</td>
<td>3</td>
<td>12</td>
<td>3*</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Andy Yap Ah Siong</td>
<td>4</td>
<td>11</td>
<td>4*</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lai Chin Yee</td>
<td>4</td>
<td>12</td>
<td>4*</td>
<td>1*</td>
<td>1*</td>
</tr>
<tr>
<td>Robson Lee Teck Leng</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Chang Weng Leong</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Tan Tow Ee</td>
<td>4</td>
<td>-</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

* By invitation
### TABLE 3 – DATE OF DIRECTOR’S INITIAL APPOINTMENT & LAST RE-ELECTION AND THEIR DIRECTORSHIPS

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

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

The shareholdings of the individual directors of the Company are set out on pages 84 and 85 of this Annual Report. None of the directors hold shares of the subsidiaries of the Company.
TABLE 4 - REMUNERATION OF DIRECTORS AND KEY EXECUTIVES

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

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

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

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

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

<table>
<thead>
<tr>
<th>Name of key executives</th>
<th>Total Remuneration*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yap Kim Choon</td>
<td>206</td>
</tr>
<tr>
<td>Yap Hock Huat</td>
<td>148</td>
</tr>
<tr>
<td>Yap Ping Heng</td>
<td>110</td>
</tr>
<tr>
<td>Yap Kim Chuan</td>
<td>107</td>
</tr>
<tr>
<td>Jimmy Tan Boon Kim</td>
<td>161</td>
</tr>
<tr>
<td>Low Eng Hua</td>
<td>156</td>
</tr>
<tr>
<td>Lee Kim Hwat</td>
<td>143</td>
</tr>
<tr>
<td>Goh Siak Ngan</td>
<td>237</td>
</tr>
<tr>
<td>Bob Goh Ngian Boon</td>
<td>101</td>
</tr>
<tr>
<td>Raymond Yip Chee Weng</td>
<td>119</td>
</tr>
</tbody>
</table>

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

Mr Yap Ping Heng, Mr Yap Hock Huat, Mr Yap Kim Choon and Mr Yap Kim Chuan are brothers of Mr Kenny Yap Kim Lee, CEO. They are also cousins of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the executive directors.
Financial Statements
We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2007.

Directors
The directors in office at the date of this report are as follows:
Kenny Yap Kim Lee
Alvin Yap Ah Seng
Andy Yap Ah Siong
Lai Chin Yee
Robson Lee Teck Leng
Chang Weng Leong
Tan Tow Ee

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

<table>
<thead>
<tr>
<th>Holdings in the name of the director</th>
<th>Holdings in which the director is deemed to have an interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Company</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary shares</strong></td>
<td></td>
</tr>
<tr>
<td>Kenny Yap Kim Lee</td>
<td>5,637,126</td>
</tr>
<tr>
<td>Alvin Yap Ah Seng</td>
<td>6,229,872</td>
</tr>
<tr>
<td>Andy Yap Ah Siong</td>
<td>6,229,872</td>
</tr>
<tr>
<td>Lai Chin Yee</td>
<td>80,400</td>
</tr>
<tr>
<td>Robson Lee Teck Leng</td>
<td>6,600</td>
</tr>
<tr>
<td>Chang Weng Leong</td>
<td>39,600</td>
</tr>
<tr>
<td>Tan Tow Ee</td>
<td>10,000</td>
</tr>
</tbody>
</table>
Directors’ interests (Cont’d)

<table>
<thead>
<tr>
<th>The Company</th>
<th>Holdings in the name of the director</th>
<th>Holdings in which the director is deemed to have an interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Warrants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenny Yap Kim Lee</td>
<td>-</td>
<td>2,700,000</td>
</tr>
<tr>
<td>Alvin Yap Ah Seng</td>
<td>-</td>
<td>3,104,552</td>
</tr>
<tr>
<td>Andy Yap Ah Siong</td>
<td>-</td>
<td>3,104,552</td>
</tr>
<tr>
<td>Lai Chin Yee</td>
<td>-</td>
<td>80,200</td>
</tr>
<tr>
<td>Chang Weng Leong</td>
<td>-</td>
<td>19,800</td>
</tr>
<tr>
<td>Tan Tow Ee</td>
<td>-</td>
<td>805,000</td>
</tr>
</tbody>
</table>

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

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

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

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

Share options and Warrants

Share options

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

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

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

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

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

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

Size of Plan

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

Grant of Option

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

Acceptance of Option

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

Exercise period

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

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

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

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

Options Granted

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Date of issue</th>
<th>Warrants outstanding at 1/1/2007</th>
<th>Warrants issued</th>
<th>Warrants exercised</th>
<th>Warrants expired</th>
<th>Warrants outstanding at 31/12/2007</th>
<th>Date of expiration</th>
</tr>
</thead>
</table>

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

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

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

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

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

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

The Audit Committee also reviewed the following:

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

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

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

Auditors

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

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

14 January 2008
Statement by Directors

In our opinion:

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

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

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

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

14 January 2008
We have audited the accompanying financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2007, the income statements and statements of changes in equity of the Group and the Company, and the cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 94 to 172. The financial statements for the year ended 31 December 2006 were audited by another firm of auditors whose report dated 15 January 2007 expressed an unqualified opinion on those financial statements.

**Directors’ responsibility for the financial statements**

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

**Auditors’ Responsibility**

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

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

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

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

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

KPMG
Certified Public Accountants

Singapore
14 January 2008
## Balance Sheets

As at 31 December 2007

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 $</th>
<th>2006 $</th>
<th>2007 $</th>
<th>2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td>Restated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>3</td>
<td>12,438,592</td>
<td>11,490,339</td>
<td>2,653,895</td>
</tr>
<tr>
<td>Brooder stocks</td>
<td>4</td>
<td>21,365,162</td>
<td>15,279,911</td>
<td>1,225,980</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>5</td>
<td>2,139,436</td>
<td>2,140,009</td>
<td>173,816</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>6</td>
<td>–</td>
<td>–</td>
<td>11,152,586</td>
</tr>
<tr>
<td>Associate</td>
<td>7</td>
<td>836,467</td>
<td>–</td>
<td>812,600</td>
</tr>
<tr>
<td>Quoted equity investment</td>
<td></td>
<td>–</td>
<td>3,597</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>36,779,657</td>
<td>28,913,856</td>
<td>16,018,877</td>
</tr>
</tbody>
</table>

| **Current assets** |        |        |        |        |
| Breeder stocks | 4 | 1,420,870 | 1,721,800 | 245,800 | 245,800 |
| Inventories | 8 | 22,008,603 | 21,647,322 | 6,715,116 | 5,919,631 |
| Trade and other receivables | 9 | 21,097,803 | 17,664,874 | 28,620,642 | 26,944,954 |
| Cash and cash equivalents | 10 | 7,516,426 | 5,640,898 | 4,767,988 | 3,700,878 |
| **Total assets** | | 52,043,702 | 46,674,894 | 40,349,546 | 36,811,263 |

| **Total assets** | | 88,823,359 | 75,588,750 | 56,368,423 | 52,203,130 |
## Equity attributable to equity holders of the Company

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 $</th>
<th>2006 $</th>
<th>2007 $</th>
<th>2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>29,295,961</td>
<td>18,997,444</td>
<td>29,295,961</td>
<td>18,997,444</td>
</tr>
<tr>
<td>Reserves</td>
<td>18,701,650</td>
<td>23,489,347</td>
<td>10,859,010</td>
<td>18,042,095</td>
</tr>
<tr>
<td>Minority interests</td>
<td>7,635,185</td>
<td>6,264,461</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>47,997,611</td>
<td>42,486,791</td>
<td>40,154,971</td>
<td>37,039,539</td>
</tr>
</tbody>
</table>

## Non-current liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 $</th>
<th>2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities</td>
<td>1,877,553</td>
<td>790,144</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>2,939,245</td>
<td>2,453,720</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>4,816,798</td>
<td>3,243,864</td>
</tr>
</tbody>
</table>

## Current liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 $</th>
<th>2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>13,007,597</td>
<td>10,901,021</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>14,591,075</td>
<td>12,048,875</td>
</tr>
<tr>
<td>Current tax payable</td>
<td>775,093</td>
<td>643,738</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>28,373,765</td>
<td>23,593,634</td>
</tr>
</tbody>
</table>

## Total liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 $</th>
<th>2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities</strong></td>
<td>33,190,563</td>
<td>26,837,498</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>88,823,359</td>
<td>75,588,750</td>
</tr>
</tbody>
</table>
## Income Statements

### Year ended 31 December 2007

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

| **Earnings per share (cents)** | | | | |
| **Basic** | 1.34 | 0.74 | (restated) | |
| **Diluted** | 1.23 | 0.64 | (restated) | |

This accompanying notes form an integral part of the financial statements.
## Statements of Changes in Equity

### Year ended 31 December 2007

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

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

This accompanying notes form an integral part of the financial statements.
## Consolidated Cash Flow Statement

**Year ended 31 December 2007**

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

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 $</th>
<th>2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before working capital changes carried forward</td>
<td>11,781,540</td>
<td>8,750,036</td>
</tr>
<tr>
<td>Changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>(408,393)</td>
<td>(1,410,609)</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>(3,856,610)</td>
<td>(984,095)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>2,231,450</td>
<td>4,269,776</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>9,747,987</td>
<td>10,625,108</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(1,097,704)</td>
<td>(1,263,297)</td>
</tr>
<tr>
<td><strong>Cash flows generated from operating activities</strong></td>
<td>8,650,283</td>
<td>9,361,811</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- property, plant and equipment</td>
<td>(2,399,375)</td>
<td>(947,687)</td>
</tr>
<tr>
<td>- brooder stocks</td>
<td>(6,491,591)</td>
<td>(5,698,991)</td>
</tr>
<tr>
<td>- intangible assets</td>
<td>(42,105)</td>
<td>(60,758)</td>
</tr>
<tr>
<td>Proceeds from disposal of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- property, plant and equipment</td>
<td>134,401</td>
<td>108,178</td>
</tr>
<tr>
<td>- quoted equity investment</td>
<td>2,573</td>
<td>-</td>
</tr>
<tr>
<td>Interest received</td>
<td>7,415</td>
<td>15,908</td>
</tr>
<tr>
<td>Investment received</td>
<td>(812,600)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash flows used in investing activities</strong></td>
<td>(9,601,282)</td>
<td>(6,583,350)</td>
</tr>
</tbody>
</table>
Financing activities
Interest paid
Drawdown of:
- bank term loans
- loans from minority shareholders of a subsidiary
Repayment of:
- bank term loans
- loans from minority shareholders of a subsidiary
Payment of finance lease liabilities
Dividends paid to equity holders
Proceeds from issue of new shares (net of issue expense)

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 $</th>
<th>2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>(838,820)</td>
<td>(723,022)</td>
</tr>
<tr>
<td>Drawdown of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>bank term loans</td>
<td>2,342,500</td>
<td>300,000</td>
</tr>
<tr>
<td>loans from minority shareholders of a subsidiary</td>
<td>32,625</td>
<td>204,732</td>
</tr>
<tr>
<td>Repayment of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>bank term loans</td>
<td>(655,866)</td>
<td>(334,498)</td>
</tr>
<tr>
<td>loans from minority shareholders of a subsidiary</td>
<td>(307,208)</td>
<td>(293,591)</td>
</tr>
<tr>
<td>Payment of finance lease liabilities</td>
<td>(221,567)</td>
<td>(298,759)</td>
</tr>
<tr>
<td>Dividends paid to equity holders</td>
<td>(634,054)</td>
<td>(515,492)</td>
</tr>
<tr>
<td>Proceeds from issue of new shares (net of issue expense)</td>
<td>1,203,282</td>
<td>-</td>
</tr>
</tbody>
</table>

Cash flows generated from (utilised in) financing activities

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (decrease) increase in cash and cash equivalents</td>
<td>(30,107)</td>
<td>1,117,831</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>5,467,328</td>
<td>4,335,742</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations on cash held</td>
<td>12,722</td>
<td>13,755</td>
</tr>
</tbody>
</table>

Cash and cash equivalents at end of year

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,449,943</td>
<td>5,467,328</td>
</tr>
</tbody>
</table>

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

This accompanying notes form an integral part of the financial statements.
Notes to the Financial Statements

These notes form an integral part of the financial statements.

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

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

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

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

2 Summary of significant accounting policies
2.1 Basis of preparation
The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

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

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

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

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

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

**Key sources of estimation uncertainty**

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

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

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

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

Critical judgements made in applying accounting policies

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

- **Impairment of investments and financial assets**

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

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

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

2.2 **Consolidation**

**Business combinations**

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

**Subsidiaries**

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

**Associates**

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

**Transactions eliminated on consolidation**

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

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

**Accounting for subsidiaries and associate by the Company**

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

2.3 **Foreign currencies**

**Foreign currency transactions**

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

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

Foreign operations

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

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

Net investment in a foreign operation

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

2.4 Property, plant and equipment

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

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

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

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

The estimated useful lives are as follows:

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

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

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

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

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

2.6 Inventories

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

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

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

Goodwill

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

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

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

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

Other intangible assets

(a) Trademarks/customer acquisition costs

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

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

(b) Product listing fees

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

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

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

Non-derivative financial instruments

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

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

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

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

Available-for-sale financial assets

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

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

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.
2.8 **Financial instruments** (Cont’d)

Impairment of financial assets

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

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

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

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

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

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

Intra-group financial guarantees

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

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

Intra-group financial guarantees are eliminated on consolidation.
2.8 Financial instruments (Cont’d)

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

2.9 Leases

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

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

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

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

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

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

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

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

2.11 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.
2.11 **Employee benefits** (Cont’d)

**Short-term benefits**

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

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

**Equity compensation benefit**

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

2.12 **Provisions**

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

2.13 **Revenue recognition**

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

2.14 **Finance income and expenses**

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

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

2.15 Income taxes

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

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

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

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

<table>
<thead>
<tr>
<th>Group</th>
<th>Freehold land/buildings $</th>
<th>Leasehold land/buildings $</th>
<th>Leasehold improvements $</th>
<th>Motor vehicles $</th>
<th>Computers $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2006</td>
<td>5,680,584</td>
<td>4,355,051</td>
<td>293,573</td>
<td>2,268,131</td>
<td>871,824</td>
</tr>
<tr>
<td>Translation differences on consolidation</td>
<td>(77,112)</td>
<td>5,593</td>
<td>10,024</td>
<td>(3,246)</td>
<td>(2,418)</td>
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<tr>
<td>Additions</td>
<td>102,931</td>
<td>132,242</td>
<td>23,908</td>
<td>209,946</td>
<td>31,774</td>
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<tr>
<td>Disposals/write offs/transfers</td>
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<td></td>
<td>8,650</td>
<td>(372,675)</td>
<td>31,829</td>
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<tr>
<td>At 31 December 2006</td>
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<td>336,155</td>
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<td>Translation differences on consolidation</td>
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<tr>
<td>Additions</td>
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<td>Reclassifications</td>
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<td></td>
<td></td>
<td>(24,901)</td>
<td></td>
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<tr>
<td>Disposals/write offs/transfers</td>
<td></td>
<td></td>
<td></td>
<td>(372,787)</td>
<td>18,729</td>
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<tr>
<td>At 31 December 2007</td>
<td>7,097,556</td>
<td>4,520,582</td>
<td>370,567</td>
<td>2,146,750</td>
<td>1,007,872</td>
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</tbody>
</table>

**Accumulated depreciation and impairment losses**

| At 1 January 2006          | 471,114                   | 1,842,632                   | 105,299                  | 1,473,060        | 621,355     |
| Translation differences on consolidation | (6,395) | 3,409 | 10,718 | 1,447 | (1,217) |
| Depreciation charge for the year | 168,096 | 345,145 | 61,031 | 330,069 | 116,772 |
| Disposals/write offs/transfers | (41,595) |       |       | (303,903) | 166 |
| At 31 December 2006        | 591,220                   | 2,191,186                   | 177,048                  | 1,500,673        | 736,744     |
| Translation differences on consolidation | (1,356) | 2,840 | 3,758 | 43 | 37 |
| Depreciation charge for the year | 168,653 | 337,512 | 48,823 | 259,517 | 101,438 |
| Disposals/write offs/transfers |       |       |       | (342,309) | (14,549) |
| At 31 December 2007        | 758,517                   | 2,531,538                   | 229,629                  | 1,417,924        | 823,670     |

**Carrying amount**

<p>| At 1 January 2006          | 5,209,470                 | 2,512,419                   | 188,274                  | 795,071          | 250,469     |
| At 31 December 2006/1 January 2007 | 5,073,588 | 2,301,700 | 159,107 | 601,483 | 196,265 |
| At 31 December 2007        | 6,339,039                 | 1,989,044                   | 140,938                  | 728,826          | 184,202     |</p>
<table>
<thead>
<tr>
<th>Furniture, fittings and office equipment</th>
<th>Equipment and tools</th>
<th>Machinery and equipment</th>
<th>Ponds and concrete tanks</th>
<th>Electrical and installation</th>
<th>Assets under construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,092,851</td>
<td>$1,231,896</td>
<td>$4,298,215</td>
<td>$180,909</td>
<td>$1,242,264</td>
<td>–</td>
<td>$21,515,298</td>
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<tr>
<td>–</td>
<td>$16,525</td>
<td>$38,940</td>
<td>$5,269</td>
<td>$12,253</td>
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<td>$(139,741)</td>
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<td>$90,738</td>
<td>$220,386</td>
<td>$178,285</td>
<td>–</td>
<td>$72,964</td>
<td>–</td>
<td>$1,063,174</td>
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<tr>
<td>$10,950</td>
<td>$(170,215)</td>
<td>$62,969</td>
<td>–</td>
<td>$10,899</td>
<td>–</td>
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<td>$1,265,542</td>
<td>$4,374,591</td>
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<td>–</td>
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<td>$(2,338)</td>
<td>$3,220</td>
<td>–</td>
<td>$(1,293)</td>
<td>–</td>
<td>$3,224</td>
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<tr>
<td>$97,658</td>
<td>$51,684</td>
<td>$313,795</td>
<td>–</td>
<td>$72,484</td>
<td>$271,521</td>
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<td>$(26,631)</td>
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<tr>
<td>$(7,002)</td>
<td>$(14,363)</td>
<td>$(271,652)</td>
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<td>$175,640</td>
<td>$1,385,065</td>
<td>$271,521</td>
<td>$23,998,430</td>
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</table>

<table>
<thead>
<tr>
<th>Furniture, fittings and office equipment</th>
<th>Equipment and tools</th>
<th>Machinery and equipment</th>
<th>Ponds and concrete tanks</th>
<th>Electrical and installation</th>
<th>Assets under construction</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>$425,818</td>
<td>$308,000</td>
<td>$2,794,489</td>
<td>$180,909</td>
<td>$627,023</td>
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</tr>
<tr>
<td>$1,863</td>
<td>$(3,765)</td>
<td>$(16,088)</td>
<td>$(5,269)</td>
<td>$(4,346)</td>
<td>–</td>
<td>$(19,643)</td>
</tr>
<tr>
<td>$138,453</td>
<td>$138,685</td>
<td>$523,575</td>
<td>–</td>
<td>$176,961</td>
<td>–</td>
<td>$1,998,787</td>
</tr>
<tr>
<td>$(18,252)</td>
<td>$(51,268)</td>
<td>$(31,042)</td>
<td>–</td>
<td>$(19,351)</td>
<td>–</td>
<td>$(465,577)</td>
</tr>
<tr>
<td>$547,882</td>
<td>$391,652</td>
<td>$3,270,934</td>
<td>$175,640</td>
<td>$780,287</td>
<td>–</td>
<td>$10,363,266</td>
</tr>
<tr>
<td>$2,253</td>
<td>$(692)</td>
<td>$2,466</td>
<td>–</td>
<td>$(715)</td>
<td>–</td>
<td>$8,634</td>
</tr>
<tr>
<td>$145,603</td>
<td>$172,560</td>
<td>$423,434</td>
<td>–</td>
<td>$174,153</td>
<td>–</td>
<td>$1,831,693</td>
</tr>
<tr>
<td>$(5,165)</td>
<td>$(13,465)</td>
<td>$(268,267)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>$(643,755)</td>
</tr>
<tr>
<td>$690,573</td>
<td>$550,055</td>
<td>$3,428,567</td>
<td>$175,640</td>
<td>$953,725</td>
<td>–</td>
<td>$11,559,838</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Furniture, fittings and office equipment</th>
<th>Equipment and tools</th>
<th>Machinery and equipment</th>
<th>Ponds and concrete tanks</th>
<th>Electrical and installation</th>
<th>Assets under construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$667,033</td>
<td>$923,896</td>
<td>$1,503,726</td>
<td>–</td>
<td>$615,241</td>
<td>–</td>
<td>$12,665,599</td>
</tr>
<tr>
<td>$647,062</td>
<td>$873,890</td>
<td>$1,103,657</td>
<td>–</td>
<td>$533,587</td>
<td>–</td>
<td>$11,490,339</td>
</tr>
<tr>
<td>$572,487</td>
<td>$778,494</td>
<td>$1,002,701</td>
<td>–</td>
<td>$431,340</td>
<td>$271,521</td>
<td>$12,438,592</td>
</tr>
</tbody>
</table>
3 Property, plant and equipment (Cont’d)

<table>
<thead>
<tr>
<th>Company Cost</th>
<th>Leasehold buildings $</th>
<th>Motor vehicles $</th>
<th>Computers $</th>
<th>Furniture, fittings and office equipment $</th>
<th>Machinery and equipment $</th>
<th>Electrical and installation $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2006</td>
<td>4,191,256</td>
<td>1,012,476</td>
<td>608,097</td>
<td>336,274</td>
<td>661,260</td>
<td>293,293</td>
<td>7,102,656</td>
</tr>
<tr>
<td>Additions</td>
<td>132,242</td>
<td>54,467</td>
<td>16,721</td>
<td>12,871</td>
<td>13,469</td>
<td>8,860</td>
<td>238,630</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(207,517)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(207,517)</td>
</tr>
<tr>
<td>Total</td>
<td>4,323,498</td>
<td>859,426</td>
<td>624,818</td>
<td>349,145</td>
<td>674,729</td>
<td>302,153</td>
<td>7,133,769</td>
</tr>
<tr>
<td>At 31 December 2006</td>
<td>24,100</td>
<td>138,111</td>
<td>65,933</td>
<td>41,038</td>
<td>133,721</td>
<td>3,300</td>
<td>406,203</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>(188,818)</td>
<td>(4,940)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(194,388)</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(195,309)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(195,309)</td>
</tr>
<tr>
<td>Total</td>
<td>4,347,598</td>
<td>808,719</td>
<td>685,811</td>
<td>389,553</td>
<td>808,450</td>
<td>305,453</td>
<td>7,345,584</td>
</tr>
</tbody>
</table>

**Accumulated depreciation and impairment losses**

<table>
<thead>
<tr>
<th>Company Cost</th>
<th>Leasehold buildings $</th>
<th>Motor vehicles $</th>
<th>Computers $</th>
<th>Machinery and equipment $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2006</td>
<td>1,742,797</td>
<td>816,361</td>
<td>464,361</td>
<td>204,735</td>
<td>3,902,873</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>314,617</td>
<td>114,992</td>
<td>73,658</td>
<td>32,971</td>
<td>616,483</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(195,309)</td>
<td>-</td>
<td>-</td>
<td>(195,309)</td>
</tr>
<tr>
<td>Total</td>
<td>2,057,414</td>
<td>736,044</td>
<td>538,019</td>
<td>237,706</td>
<td>4,324,047</td>
</tr>
<tr>
<td>At 31 December 2006</td>
<td>319,256</td>
<td>66,198</td>
<td>59,316</td>
<td>34,238</td>
<td>553,450</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>-</td>
<td>(185,048)</td>
<td>(760)</td>
<td>-</td>
<td>(185,808)</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(185,048)</td>
<td>(760)</td>
<td>-</td>
<td>(185,808)</td>
</tr>
<tr>
<td>Total</td>
<td>2,376,670</td>
<td>617,194</td>
<td>596,575</td>
<td>271,944</td>
<td>4,691,689</td>
</tr>
</tbody>
</table>

**Carrying amount**

<table>
<thead>
<tr>
<th>Company Cost</th>
<th>Leasehold buildings $</th>
<th>Motor vehicles $</th>
<th>Computers $</th>
<th>Machinery and equipment $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2006</td>
<td>2,448,459</td>
<td>196,115</td>
<td>143,736</td>
<td>131,539</td>
<td>3,199,783</td>
</tr>
<tr>
<td>At 31 December 2006/1 January 2007</td>
<td>2,266,084</td>
<td>123,382</td>
<td>86,799</td>
<td>111,439</td>
<td>2,809,722</td>
</tr>
<tr>
<td>At 31 December 2007</td>
<td>1,970,928</td>
<td>191,525</td>
<td>89,236</td>
<td>117,609</td>
<td>2,653,895</td>
</tr>
</tbody>
</table>
3 Property, plant and equipment (Cont’d)

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

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

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

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

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

<table>
<thead>
<tr>
<th>Description and existing use</th>
<th>Tenure/unexpired term</th>
<th>Land area (sqm)</th>
<th>Net carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2007</td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>Description and existing use</th>
<th>Tenure/unexpired term</th>
<th>Land area (sqm)</th>
<th>Net carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Held by the Company</td>
<td>Fish farming purposes</td>
<td>20 years from 11 November 1993</td>
<td>41,776</td>
<td>1,970,928 2,266,084</td>
</tr>
<tr>
<td>- Leasehold buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nos. 69 &amp; 71 J alan Lekar, Singapore</td>
<td>Fish farming purposes</td>
<td>20 years from 11 November 1993</td>
<td>41,776</td>
<td>1,970,928 2,266,084</td>
</tr>
</tbody>
</table>

Balance carried forward 1,970,928 2,266,084
3 Property, plant and equipment (Cont’d)

<table>
<thead>
<tr>
<th>Description and existing use</th>
<th>Tenure/unexpired term</th>
<th>Land area (sqm)</th>
<th>Net carrying amount 2007</th>
<th>Net carrying amount 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Balance brought forward</strong></td>
<td></td>
<td></td>
<td>1,970,928</td>
<td>2,266,084</td>
</tr>
</tbody>
</table>

**Held through subsidiaries**

- **Leasehold land**

Nos. 30/26 Moo 8 Tumbol,
Klong Nung, Amphur
Klong Laung Pathun Thani Province 12120,
Thailand
Fish farming purposes
3 years from 1 August 2005
1,600
9,058
17,808

Nos. 30/23 Moo 8 Tumbol,
Klong Nung, Amphur
Klong Laung Pathun Thani Province 12120,
Thailand
Fish farming purposes
3 years from 1 August 2005
1,600
9,058
17,808

- **Freehold land and buildings**

No 134/836, Siwalee-2 Village, Soi 41, Rangsit
Nakornnayok Road, Prachati, Thanya Buri,
Pathumtani Province 12130, Thailand
Residential Freehold
444
216,500
-

**Balance carried forward**
2,205,544
2,301,700
### 3 Property, plant and equipment (Cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>16,099,284</td>
<td>10,523,332</td>
<td>1,459,500</td>
<td>1,459,500</td>
</tr>
<tr>
<td>Translation differences</td>
<td>(33,578)</td>
<td>(123,039)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>6,491,591</td>
<td>5,698,991</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December</td>
<td>22,557,297</td>
<td>16,099,284</td>
<td>1,459,500</td>
<td>1,459,500</td>
</tr>
</tbody>
</table>

| **Accumulated depreciation and impairment loss** |              |              |                |                |
| At 1 January             | 819,373      | 561,437      | 204,330        | 175,140        |
| Translation differences  | (1,411)      | (5,244)      | -              | -              |
| Depreciation charge for the year | 374,173 | 263,180 | 29,190 | 29,190 |
| At 31 December           | 1,192,135    | 819,373      | 233,520        | 204,330        |

| **Carrying amount**      |              |              |                |                |
| At 31 December           | 21,365,162   | 15,279,911   | 1,225,980      | 1,255,170      |

| Estimated quantity at year end | 8,921 | 5,750 | 350 | 350 |

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Breeder stocks</td>
<td>Group</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>At 1 January</td>
<td>1,721,800</td>
<td>1,721,800</td>
<td>245,800</td>
<td>245,800</td>
</tr>
<tr>
<td>Change in fair value less point-of-sale costs</td>
<td>(300,930)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At 31 December</td>
<td>1,420,870</td>
<td>1,721,800</td>
<td>245,800</td>
<td>245,800</td>
</tr>
<tr>
<td>Estimated quantity at year end</td>
<td>3,487</td>
<td>3,075</td>
<td>364</td>
<td>457</td>
</tr>
</tbody>
</table>

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

**Regulatory and environmental risks**

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

**Supply and demand risk**

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

**Climate and other risks**

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

<table>
<thead>
<tr>
<th></th>
<th>Trademarks/customer acquisition costs $</th>
<th>Product listing fees $</th>
<th>Goodwill on consolidation $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2006, as previously reported</td>
<td>673,770</td>
<td>162,863</td>
<td>1,739,070</td>
<td>2,575,703</td>
</tr>
<tr>
<td>Prior year adjustment by a subsidiary</td>
<td>-</td>
<td>-</td>
<td>226,550</td>
<td>226,550</td>
</tr>
<tr>
<td>At 1 January 2006, as restated</td>
<td>673,770</td>
<td>162,863</td>
<td>1,965,620</td>
<td>2,802,253</td>
</tr>
<tr>
<td>Translation differences on consolidation</td>
<td>(242)</td>
<td>-</td>
<td>-</td>
<td>(242)</td>
</tr>
<tr>
<td>Additions through acquisitions</td>
<td>27,468</td>
<td>33,290</td>
<td>-</td>
<td>60,758</td>
</tr>
<tr>
<td>At 31 December 2006/1 January 2007</td>
<td>700,996</td>
<td>196,153</td>
<td>1,965,620</td>
<td>2,862,769</td>
</tr>
<tr>
<td>Translation differences on consolidation</td>
<td>(42)</td>
<td>-</td>
<td>-</td>
<td>(42)</td>
</tr>
<tr>
<td>Additions through acquisitions</td>
<td>42,105</td>
<td>-</td>
<td>-</td>
<td>42,105</td>
</tr>
<tr>
<td>At 31 December 2007</td>
<td>743,059</td>
<td>196,153</td>
<td>1,965,620</td>
<td>2,904,832</td>
</tr>
</tbody>
</table>

### Accumulated amortisation and impairment loss

<table>
<thead>
<tr>
<th></th>
<th>Trademarks/customer acquisition costs $</th>
<th>Product listing fees $</th>
<th>Goodwill on consolidation $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2006</td>
<td>596,295</td>
<td>83,125</td>
<td>-</td>
<td>679,420</td>
</tr>
<tr>
<td>Translation differences on consolidation</td>
<td>(242)</td>
<td>-</td>
<td>-</td>
<td>(242)</td>
</tr>
<tr>
<td>Amortisation charge for the year</td>
<td>-</td>
<td>43,582</td>
<td>-</td>
<td>43,582</td>
</tr>
<tr>
<td>At 31 December 2006/1 January 2007</td>
<td>596,053</td>
<td>126,707</td>
<td>-</td>
<td>722,760</td>
</tr>
<tr>
<td>Translation differences on consolidation</td>
<td>(42)</td>
<td>-</td>
<td>-</td>
<td>(42)</td>
</tr>
<tr>
<td>Amortisation charge for the year</td>
<td>-</td>
<td>42,678</td>
<td>-</td>
<td>42,678</td>
</tr>
<tr>
<td>At 31 December 2007</td>
<td>596,011</td>
<td>169,385</td>
<td>-</td>
<td>765,396</td>
</tr>
</tbody>
</table>

### Carrying amount

<table>
<thead>
<tr>
<th></th>
<th>Trademarks/customer acquisition costs $</th>
<th>Product listing fees $</th>
<th>Goodwill on consolidation $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2006</td>
<td>77,475</td>
<td>79,738</td>
<td>1,965,620</td>
<td>2,122,833</td>
</tr>
<tr>
<td>At 31 December 2006/1 January 2007</td>
<td>104,943</td>
<td>69,446</td>
<td>1,965,620</td>
<td>2,140,009</td>
</tr>
<tr>
<td>At 31 December 2007</td>
<td>147,048</td>
<td>26,768</td>
<td>1,965,620</td>
<td>2,139,436</td>
</tr>
</tbody>
</table>
## Intangible assets (Cont’d)

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

The amortisation is recognised in selling and distribution expenses in the income statement.
5 **Intangible assets** (Cont’d)

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

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

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

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

Key assumptions used for impairment testing

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

<table>
<thead>
<tr>
<th></th>
<th>Fish</th>
<th>Pet food</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth rate</td>
<td>11.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Discount rate</td>
<td>11.9</td>
<td>5.6</td>
</tr>
</tbody>
</table>

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

Unquoted equity investments, at cost

Details of subsidiaries are as follows:

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

Balance carried forward 8,079,216 8,079,216
## Subsidiaries (Cont’d)

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

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

* Audited by KPMG, Singapore
# Audited by KPMG Malaysia, a member firm of KPMG International
^ Audited by other certified public accountants. These subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.
* This represents the Group’s effective interest in Qian Hu Marketing Co Ltd. The Company holds a 49% direct interest in Qian Hu Marketing Co Ltd and the remaining effective 25% is held through a subsidiary, NNTL (Thailand) Limited.
® NNTL (Thailand) Limited is considered a subsidiary of the Company as the Company has voting control at general meetings and Board meetings of NNTL (Thailand) Limited.
7  Associate

<table>
<thead>
<tr>
<th>Name of associate</th>
<th>Principal activities</th>
<th>Country of incorporation</th>
<th>Effective equity held by the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arcadia Products PLC</td>
<td>Manufacture and distribution of aquarium lamps</td>
<td>United Kingdom</td>
<td>20 %</td>
</tr>
</tbody>
</table>


Details of associate are as follows:

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

7 **Associate (Cont’d)**

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

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

The financial information of the associate are as follows:

<table>
<thead>
<tr>
<th>Assets and liabilities (as at 31 December 2007)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>8,646,615</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>5,353,867</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results (for the six months ended 31 December 2007)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,992,949</td>
</tr>
<tr>
<td>Expenses</td>
<td>2,589,776</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>119,333</td>
</tr>
</tbody>
</table>
8 Inventories

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

9 Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Company</td>
<td>Group</td>
<td>Company</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>19,676,399</td>
<td>8,609,654</td>
<td>17,435,551</td>
<td>9,193,501</td>
</tr>
<tr>
<td>Allowance for doubtful trade receivables</td>
<td>(2,069,699)</td>
<td>(1,769,160)</td>
<td>(1,522,502)</td>
<td>(1,231,265)</td>
</tr>
<tr>
<td>Net receivables</td>
<td>17,606,700</td>
<td>6,840,494</td>
<td>15,913,049</td>
<td>7,962,236</td>
</tr>
<tr>
<td>Deposits</td>
<td>362,833</td>
<td>48,545</td>
<td>474,194</td>
<td>61,635</td>
</tr>
<tr>
<td>Deposit for purchase of property, plant and equipment</td>
<td>278,940</td>
<td>278,940</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Prepayments</td>
<td>509,321</td>
<td>49,490</td>
<td>417,594</td>
<td>111,391</td>
</tr>
<tr>
<td>Staff advances</td>
<td>–</td>
<td>–</td>
<td>15,474</td>
<td>–</td>
</tr>
<tr>
<td>Advances to suppliers</td>
<td>45,317</td>
<td>–</td>
<td>309,897</td>
<td>–</td>
</tr>
<tr>
<td>Tax recoverable</td>
<td>276,897</td>
<td>–</td>
<td>155,388</td>
<td>–</td>
</tr>
<tr>
<td>Other receivables</td>
<td>362,165</td>
<td>201,650</td>
<td>379,278</td>
<td>103,121</td>
</tr>
<tr>
<td>Amounts due from:</td>
<td>–</td>
<td>16,689,951</td>
<td>–</td>
<td>16,002,851</td>
</tr>
<tr>
<td>- subsidiaries (trade)</td>
<td>–</td>
<td>2,855,942</td>
<td>–</td>
<td>2,703,720</td>
</tr>
<tr>
<td>- subsidiaries (non-trade)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>- associate (trade)</td>
<td>1,655,630</td>
<td>1,655,630</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>21,097,803</td>
<td>28,620,642</td>
<td>17,664,874</td>
<td>26,944,954</td>
</tr>
</tbody>
</table>
9 Trade and other receivables (Cont’d)
Outstanding balances with subsidiaries are unsecured, interest-free and are repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>2,197,242</td>
<td>1,545,784</td>
<td>1,606,038</td>
<td>878,059</td>
</tr>
<tr>
<td>Euro</td>
<td>2,006,526</td>
<td>1,014,558</td>
<td>1,940,877</td>
<td>950,625</td>
</tr>
<tr>
<td>Ringgit Malaysia</td>
<td>2,052,842</td>
<td>2,073,883</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thai Baht</td>
<td>814,350</td>
<td>1,084,796</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Chinese Renminbi</td>
<td>6,561,080</td>
<td>2,108,059</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Impairment losses
The ageing of trade receivables at the reporting date is:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not past due</td>
<td>6,828,429</td>
<td>-</td>
<td>6,199,753</td>
<td>-</td>
</tr>
<tr>
<td>Past due 0 - 30 days</td>
<td>3,869,521</td>
<td>-</td>
<td>3,658,246</td>
<td>-</td>
</tr>
<tr>
<td>Past due 31 - 60 days</td>
<td>2,240,802</td>
<td>-</td>
<td>1,724,118</td>
<td>-</td>
</tr>
<tr>
<td>Past due 61 - 90 days</td>
<td>1,787,551</td>
<td>-</td>
<td>977,449</td>
<td>-</td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>4,950,096</td>
<td>2,069,699</td>
<td>4,875,985</td>
<td>1,522,502</td>
</tr>
<tr>
<td></td>
<td>19,676,399</td>
<td>2,069,699</td>
<td>17,435,551</td>
<td>1,522,502</td>
</tr>
</tbody>
</table>
Trade and other receivables (Cont’d)

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

<table>
<thead>
<tr>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>At 1 January</td>
<td>1,522,502</td>
</tr>
<tr>
<td>Impairment loss recognised</td>
<td>592,964</td>
</tr>
<tr>
<td>Amount written off against allowance made</td>
<td>(45,519)</td>
</tr>
<tr>
<td>Allowance made transferred from associate</td>
<td>-</td>
</tr>
<tr>
<td>Translation differences on consolidation</td>
<td>(247)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>2,069,700</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Fixed deposits with a financial institution</td>
<td>23,706</td>
<td>23,706</td>
<td>23,706</td>
<td>23,706</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>7,492,720</td>
<td>5,617,192</td>
<td>4,744,282</td>
<td>3,677,172</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7,516,426</td>
<td>5,640,898</td>
</tr>
<tr>
<td>Bank overdrafts (unsecured)</td>
<td>13</td>
<td>(2,066,483)</td>
<td>(173,570)</td>
<td>4,767,988</td>
</tr>
<tr>
<td>Cash and cash equivalents in the cash flow statement</td>
<td>5,449,943</td>
<td>5,467,328</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>US dollar</td>
<td>1,269,392</td>
<td>775,500</td>
<td>1,261,461</td>
<td>769,598</td>
</tr>
<tr>
<td>Euro</td>
<td>11,858</td>
<td>69,048</td>
<td>11,858</td>
<td>69,048</td>
</tr>
<tr>
<td>Ringgit Malaysia</td>
<td>354,351</td>
<td>381,452</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thai Baht</td>
<td>1,148,560</td>
<td>629,191</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Chinese Renminbi</td>
<td>741,341</td>
<td>381,661</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
11 Share capital

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

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

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

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

As at the end of the financial year, there were 42,810,391 warrants outstanding of which a further 1,289,740 warrants were exercised for issuance of 1,289,740 new shares as of 14 January 2008.
11 Share capital (Cont’d)

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated profits</td>
<td>19,295,700</td>
<td>24,076,821</td>
<td>10,859,010</td>
<td>18,042,095</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>(594,050)</td>
<td>(587,474)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,701,650</strong></td>
<td><strong>23,489,347</strong></td>
<td><strong>10,859,010</strong></td>
<td><strong>18,042,095</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Note</th>
<th>2007</th>
<th>2006</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringgit Malaysia (“RM”) long-term loans – non current portion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- secured</td>
<td>111,276</td>
<td>128,507</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- unsecured</td>
<td>1,434,290</td>
<td>552,913</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>331,987</td>
<td>108,724</td>
<td>73,537</td>
<td>48,150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,877,553</td>
<td>790,144</td>
<td>73,537</td>
<td>48,150</td>
</tr>
</tbody>
</table>

| **Company** | | | | |
| Current liabilities | | | | |
| Bank overdrafts (secured) | 10 | 2,066,483 | 173,570 | - | - |
| Singapore dollar short-term loans (unsecured) | | 7,100,000 | 6,300,000 | 7,100,000 | 6,300,000 |
| Ringgit Malaysia long-term loans – current portion: | | | | |
| - secured | 29,826 | 40,448 | - | - |
| - unsecured | 227,267 | 196,263 | - | - |
| Bills payable to banks (unsecured) | | 5,002,650 | 5,156,871 | 1,341,255 | 1,188,399 |
| Finance lease liabilities | 164,849 | 181,723 | 59,732 | 79,676 |
| **Total** | 14,591,075 | 12,048,875 | 8,500,987 | 7,568,075 |

| **Total borrowings** | 16,468,628 | 12,839,019 | 8,574,524 | 7,616,225 |

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

The long-term loans comprise:

- a 7-year bank loan of RM 0.5 million, secured by mortgage on a subsidiary’s freehold land, bears interest at 8.0% (2006: 8.25%) per annum and is repayable in 84 instalments commencing January 2005;
- a 5-year unsecured bank loan of RM 1.85 million, bears interest at 8.25% (2006: 8%) per annum and is repayable in 60 instalments commencing August 2006; and
- a 10-year unsecured bank loan of RM 2.5 million, bears interest at 8.25% (2006: Nil%) per annum and is repayable in 120 instalments commencing March 2007.

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>400,164</td>
<td>414,622</td>
<td>400,164</td>
<td>414,622</td>
</tr>
<tr>
<td>Euro</td>
<td>–</td>
<td>80,836</td>
<td>–</td>
<td>80,836</td>
</tr>
<tr>
<td>Ringgit Malaysia</td>
<td>3,661,395</td>
<td>3,968,472</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>132,889</td>
<td>119,939</td>
<td>132,889</td>
<td>119,939</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>66,866</td>
<td>104,357</td>
<td>66,866</td>
<td>104,357</td>
</tr>
</tbody>
</table>
13 **Financial liabilities** (Cont’d)

Finance lease liabilities

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

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

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

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

| Carrying amount | Contractual cash flows | Cash flows | | |
|-----------------|------------------------|------------|-------------|-------------|-------------|
|                 |                        |            | Within 1 year | Within 1 to 5 years | More than 5 years |
|                 | $                     | $          | $            | $            | $            |
| **Group**       |                        |            |              |              |              |
| **2007**        |                        |            |              |              |              |
| Bank overdrafts | 2,066,483              | 2,066,483  | 2,066,483    | -            | -            |
| Bills payable to banks | 5,002,650          | 5,068,310  | 5,068,310    | -            | -            |
| S$ floating rate loans | 7,100,000          | 7,171,000  | 7,171,000    | -            | -            |
| RM floating rate loans | 1,802,659          | 2,218,324  | 512,265      | 1,193,122    | 512,937      |
| Finance lease liabilities | 496,836            | 540,026    | 184,531      | 355,495      | -            |
| Trade and other payables* | 10,447,610         | 10,447,610 | 10,447,610   | -            | -            |
| **Total**       | 27,511,753            | 25,450,199 | 1,548,617    | 512,937      |              |

| **2006**        |                        |            |              |              |              |
| Bank overdrafts | 173,570                | 173,570    | 173,570      | -            | -            |
| Bills payable to banks | 5,156,871            | 5,224,555  | 5,224,555    | -            | -            |
| S$ floating rate loans | 6,300,000          | 6,363,000  | 6,363,000    | -            | -            |
| RM floating rate loans | 918,131             | 1,046,913  | 292,928      | 753,985      | -            |
| Finance lease liabilities | 290,447            | 336,624    | 210,598      | 126,026      | -            |
| Trade and other payables* | 9,172,499         | 9,172,499  | 9,172,499    | -            | -            |
| **Total**       | 22,317,161            | 21,437,150 | 880,011      | -            |              |

* Excludes accrued expenses
### 13 Financial liabilities (Cont’d)

<table>
<thead>
<tr>
<th>Company</th>
<th>Carrying amount</th>
<th>Cash flows</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>Contractual cash flows</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>Within 1 year</td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>S$ floating rate loans</td>
<td>7,100,000</td>
<td>7,100,000</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>133,269</td>
<td>149,929</td>
</tr>
<tr>
<td>Bills payable to banks</td>
<td>1,341,255</td>
<td>1,341,255</td>
</tr>
<tr>
<td>Trade and other payables*</td>
<td>5,144,873</td>
<td>5,144,873</td>
</tr>
<tr>
<td></td>
<td><strong>13,736,057</strong></td>
<td><strong>13,654,057</strong></td>
</tr>
</tbody>
</table>

| **2006**                     |                | $              | $                  | $                  |
| S$ floating rate loans       | 6,300,000      | 6,300,000      | 6,300,000          | -                  | -                  |
| Finance lease liabilities    | 127,826        | 152,375        | 95,665             | 56,710             | -                  |
| Bills payable to banks       | 1,188,399      | 1,188,399      | 1,188,399          | -                  | -                  |
| Trade and other payables*    | 5,798,821      | 5,798,821      | 5,798,821          | -                  | -                  |
|                              | **13,439,595** | **13,382,885** | **56,710**         | -                  | -                  |

* Excludes accrued expenses
14 **Deferred tax liabilities**

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

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $</td>
<td>2006 $</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment and brooder stocks</td>
<td>2,941,041</td>
<td>2,468,448</td>
</tr>
<tr>
<td></td>
<td>135,000</td>
<td>247,932</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>(1,796)</td>
<td>(14,728)</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>(12,932)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $</td>
<td>2006 $</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,939,245</td>
<td>2,453,720</td>
</tr>
<tr>
<td></td>
<td>135,000</td>
<td>235,000</td>
</tr>
</tbody>
</table>
14 Deferred tax liabilities (Cont’d)

Movement in deferred tax liabilities

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

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>7,356,060</td>
<td>6,007,592</td>
<td>2,740,663</td>
<td>3,267,276</td>
</tr>
<tr>
<td>Accrued operating expenses</td>
<td>382,613</td>
<td>529,802</td>
<td>134,528</td>
<td>147,143</td>
</tr>
<tr>
<td>Other payables</td>
<td>2,222,194</td>
<td>2,018,338</td>
<td>1,873,368</td>
<td>1,759,660</td>
</tr>
<tr>
<td>Accrued staff costs</td>
<td>2,177,374</td>
<td>1,198,720</td>
<td>1,755,252</td>
<td>1,006,315</td>
</tr>
<tr>
<td>Amounts due to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(trade)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(non-trade)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- minority shareholders of a subsidiary</td>
<td>869,356</td>
<td>1,146,569</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(non-trade)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,007,597</strong></td>
<td><strong>10,901,021</strong></td>
<td><strong>7,034,653</strong></td>
<td><strong>6,952,279</strong></td>
</tr>
</tbody>
</table>

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

The non-trade amounts due to subsidiaries and minority shareholders of a subsidiary are unsecured, interest-free and repayable on demand.
15 **Trade and other payables** (Cont’d)

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

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

16 **Employees’ share options**

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

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

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

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

Other information regarding the Scheme is set out below:

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

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

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

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

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

All options are to be settled by physical delivery of shares.
16 Employees’ share options (Cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>Weighted average exercise price</th>
<th>Number of options</th>
<th>Weighted average exercise price</th>
<th>Number of options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at 1 January</td>
<td>0.59</td>
<td>1,122,000</td>
<td>0.59</td>
<td>1,218,000</td>
</tr>
<tr>
<td>Forfeited during the year</td>
<td>0.59</td>
<td>(63,000)</td>
<td>0.59</td>
<td>(96,000)</td>
</tr>
<tr>
<td>Exercised during the year</td>
<td>0.59</td>
<td>(1,059,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Granted during the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Outstanding at 31 December</td>
<td></td>
<td>0.59</td>
<td>1,122,000</td>
<td></td>
</tr>
</tbody>
</table>

Exercisable at 31 December

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

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

17 Revenue

<table>
<thead>
<tr>
<th></th>
<th>2007 $</th>
<th>Group 2006 $</th>
<th>Company 2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of goods</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- fish</td>
<td>45,336,100</td>
<td>39,597,782</td>
<td>26,301,936</td>
</tr>
<tr>
<td>- accessories</td>
<td>35,350,112</td>
<td>26,581,281</td>
<td>24,471,331</td>
</tr>
<tr>
<td>- plastics</td>
<td>11,033,95</td>
<td>9,931,559</td>
<td>16,173,100</td>
</tr>
</tbody>
</table>

91,720,187 76,110,622 50,773,267 41,043,369
## Net finance expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- bank deposits</td>
<td>7,415</td>
<td>15,908</td>
<td>5,349</td>
<td>5,713</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- bank term loans</td>
<td>(563,907)</td>
<td>(463,571)</td>
<td>(305,911)</td>
<td>(365,416)</td>
</tr>
<tr>
<td>- bills payable to banks</td>
<td>(240,882)</td>
<td>(195,626)</td>
<td>(57,861)</td>
<td>(39,095)</td>
</tr>
<tr>
<td>- finance lease liabilities</td>
<td>(34,983)</td>
<td>(46,328)</td>
<td>(17,358)</td>
<td>(24,360)</td>
</tr>
<tr>
<td><strong>Net finance expenses</strong></td>
<td>(839,772)</td>
<td>(705,525)</td>
<td>(381,130)</td>
<td>(428,871)</td>
</tr>
<tr>
<td></td>
<td>(832,357)</td>
<td>(689,617)</td>
<td>(375,781)</td>
<td>(423,158)</td>
</tr>
</tbody>
</table>
## 19 Profit before income tax

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

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

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 $</th>
<th>2006 $</th>
<th>2007 $</th>
<th>2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current tax expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>1,231,032</td>
<td>1,020,535</td>
<td>481,707</td>
<td>300,000</td>
</tr>
<tr>
<td>(Over) under provision in respect of prior year</td>
<td>(141,308)</td>
<td>36,655</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current tax expense</strong></td>
<td>1,089,724</td>
<td>1,057,190</td>
<td>481,707</td>
<td>300,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 $</th>
<th>2006 $</th>
<th>2007 $</th>
<th>2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred tax expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Origination and reversal of temporary differences</td>
<td>734,803</td>
<td>703,215</td>
<td>(11,426)</td>
<td>-</td>
</tr>
<tr>
<td>Reduction in tax rate</td>
<td>(145,689)</td>
<td>-</td>
<td>(16,270)</td>
<td>-</td>
</tr>
<tr>
<td>Over provision in respect of prior year</td>
<td>(76,199)</td>
<td>(336,143)</td>
<td>(72,304)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total deferred tax expense</strong></td>
<td>512,915</td>
<td>367,072</td>
<td>(100,000)</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total income tax expense**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,602,639</td>
<td>1,424,262</td>
<td>381,707</td>
<td>300,000</td>
</tr>
</tbody>
</table>
20 Income tax expense (Cont’d)

Reconciliation of effective tax rate

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

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

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

Company’s directors receiving remuneration from the Group:

<table>
<thead>
<tr>
<th>Remuneration of:</th>
<th>Number of directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500,000 and above</td>
<td>0</td>
</tr>
<tr>
<td>$250,000 to $499,999</td>
<td>3</td>
</tr>
<tr>
<td>Below $250,000</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

### Names of director

<table>
<thead>
<tr>
<th>Names of director</th>
<th>Salary*</th>
<th>Bonus*</th>
<th>Directors’ fees</th>
<th>Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenny Yap Kim Lee</td>
<td>223,428</td>
<td>60,000</td>
<td>-</td>
<td>283,428</td>
</tr>
<tr>
<td>Alvin Yap Ah Seng</td>
<td>199,428</td>
<td>60,000</td>
<td>-</td>
<td>259,428</td>
</tr>
<tr>
<td>Andy Yap Ah Siong</td>
<td>199,428</td>
<td>60,000</td>
<td>-</td>
<td>259,428</td>
</tr>
<tr>
<td>Lai Chin Yee</td>
<td>190,428</td>
<td>56,638</td>
<td>-</td>
<td>247,066</td>
</tr>
<tr>
<td>Robson Lee Teck Leng</td>
<td>-</td>
<td>-</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Chang Weng Leong</td>
<td>-</td>
<td>-</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Tan Tow Ee</td>
<td>-</td>
<td>-</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>812,712</td>
<td>236,638</td>
<td>45,000</td>
<td>1,094,350</td>
</tr>
</tbody>
</table>

* The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contributions.
## Directors’ remuneration (Cont’d)

<table>
<thead>
<tr>
<th>Names of director</th>
<th>Salary* $</th>
<th>Bonus* $</th>
<th>Directors’ fees $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenny Yap Kim Lee</td>
<td>187,020</td>
<td>-</td>
<td>-</td>
<td>187,020</td>
</tr>
<tr>
<td>Alvin Yap Ah Seng</td>
<td>163,020</td>
<td>-</td>
<td>-</td>
<td>163,020</td>
</tr>
<tr>
<td>Andy Yap Ah Siong</td>
<td>163,020</td>
<td>-</td>
<td>-</td>
<td>163,020</td>
</tr>
<tr>
<td>Lai Chin Yee</td>
<td>151,020</td>
<td>32,925</td>
<td>-</td>
<td>183,945</td>
</tr>
<tr>
<td>Robson Lee Teck Leng</td>
<td>-</td>
<td>-</td>
<td>12,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Chang Weng Leong</td>
<td>-</td>
<td>-</td>
<td>12,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Tan Tow Ee</td>
<td>-</td>
<td>-</td>
<td>12,000</td>
<td>12,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>664,080</strong></td>
<td><strong>32,925</strong></td>
<td><strong>36,000</strong></td>
<td><strong>733,005</strong></td>
</tr>
</tbody>
</table>

* The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contributions.
## 22 Earnings per share

### Basic earnings per share

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

### Diluted earnings per share

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

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

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

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

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

23 **Dividends**

<table>
<thead>
<tr>
<th></th>
<th>Group and Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>First and final dividend paid of 0.5 cents per share less tax of 20% in respect of the year ended 31 December 2005</td>
<td>-</td>
</tr>
<tr>
<td>First and final dividend paid of 0.6 cents per share less tax of 18% in respect of the year ended 31 December 2006</td>
<td>634,054</td>
</tr>
<tr>
<td>Special interim dividend paid of 8.54 cents per share less tax of 18% in respect of the year ended 31 December 2007</td>
<td>9,095,235</td>
</tr>
<tr>
<td></td>
<td>9,729,289</td>
</tr>
</tbody>
</table>

The Directors do not propose a final dividend for the year ended 31 December 2007.
24 Significant related party transactions

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

Key management personnel compensation

Key management personnel compensation comprised:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- directors of the Company</td>
<td>1,049,350</td>
<td>697,005</td>
</tr>
<tr>
<td>- other key management personnel</td>
<td>1,204,693</td>
<td>922,889</td>
</tr>
<tr>
<td></td>
<td>2,254,043</td>
<td>1,619,894</td>
</tr>
</tbody>
</table>

Other related party transactions

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

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Sales to subsidiaries</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sales to associate</td>
<td>4,229,263</td>
<td>–</td>
</tr>
<tr>
<td>Purchase from subsidiaries</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Purchase from associate</td>
<td>93,605</td>
<td>–</td>
</tr>
<tr>
<td>Management fees received from a subsidiary</td>
<td>–</td>
<td>48,000</td>
</tr>
<tr>
<td>Fee paid to a firm of which a director is a partner</td>
<td>12,000</td>
<td>–</td>
</tr>
<tr>
<td>Consultancy fee paid to a company in which a director has a substantial interest</td>
<td>8,300</td>
<td>19,300</td>
</tr>
<tr>
<td></td>
<td>8,300</td>
<td>19,300</td>
</tr>
</tbody>
</table>
25 Segment information
A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group’s business and geographical segments. The Group’s primary format for segment reporting is based on business segments. The business segments are determined based on the Group’s management and internal reporting structure.
Inter-segment pricing is determined on mutually agreed terms.
Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, interest income, interest expenses and related assets and liabilities.
Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

Business Segments
The Group comprises the following main business segments:
(i) Fish farming, breeding, distribution and trading of ornamental fish;
(ii) Accessories – manufacturing and distribution of aquarium and pet accessories; and
(iii) Plastics – manufacturing of plastic bags.

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

In presenting information on the basis of geographical segments, segments revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.
## Segment information (Cont’d)

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

#### Business Segments

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

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

26  **Financial risk management**

**Overview**

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

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

**Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.
26 Financial risk management (Cont’d)

Credit risk (Cont’d)

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

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

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

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

Liquidity risk

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

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

Market risk

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

Foreign currency risk

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

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.
## Financial risk management (Cont’d)

Sensitivity analysis

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

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

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.
26 Financial risk management (Cont’d)

Business risk

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

Interest rate risk

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

The Group obtains additional financing through bank borrowings and finance lease arrangements. The Group’s policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.
26 Financial risk management (Cont’d)

Interest rate risk (Cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year</th>
<th>1 to 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed rate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>24</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Bills payable to banks</td>
<td>5,003</td>
<td>-</td>
<td>5,003</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>165</td>
<td>332</td>
<td>497</td>
</tr>
<tr>
<td><strong>Floating rate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>2,066</td>
<td>-</td>
<td>2,066</td>
</tr>
<tr>
<td>Bank term loans</td>
<td>8,902</td>
<td>-</td>
<td>8,902</td>
</tr>
<tr>
<td><strong>Company</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed rate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>24</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Bills payable to banks</td>
<td>1,341</td>
<td>-</td>
<td>1,341</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>60</td>
<td>73</td>
<td>133</td>
</tr>
<tr>
<td><strong>Floating rate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank term loans</td>
<td>7,100</td>
<td>-</td>
<td>7,100</td>
</tr>
</tbody>
</table>
### Financial risk management (Cont’d)

#### 2006

**Group**

**Financial liabilities**

**Fixed rate**
- Fixed deposits: $24,000
- Bills payable to banks: $5,157,000
- Finance lease liabilities: $182,000

**Floating rate**
- Bank overdrafts: $174,000
- Bank term loans: $7,218,000

**Company**

**Financial liabilities**

**Fixed rate**
- Fixed deposits: $24,000
- Bills payable to banks: $1,188,000
- Finance lease liabilities: $80,000

**Floating rate**
- Bank term loans: $6,300,000
26 Financial risk management (Cont’d)

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

<table>
<thead>
<tr>
<th></th>
<th>Profit or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100 bp increase</td>
</tr>
<tr>
<td>Group</td>
<td></td>
</tr>
<tr>
<td>31 December 2007</td>
<td></td>
</tr>
<tr>
<td>Floating rate instruments</td>
<td>(109,690)</td>
</tr>
<tr>
<td>31 December 2006</td>
<td></td>
</tr>
<tr>
<td>Floating rate instruments</td>
<td>(73,920)</td>
</tr>
</tbody>
</table>

| Company                      |                 |                 |
| 31 December 2007             |                 |                 |
| Floating rate instruments     | (71,000)        | 71,000          |
| 31 December 2006             |                 |                 |
| Floating rate instruments     | (63,000)        | 63,000          |
26 Financial risk management (Cont’d)

Fair values of financial instruments

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

Methodologies

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

Financial assets

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

Interest-bearing bank loans

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

Other financial assets and liabilities

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

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

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

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

**Intra-group financial guarantees**

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

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company’s future cash flows.
26 Financial risk management (Cont’d)

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

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

27 Commitments

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Within 1 year</td>
<td>262,680</td>
<td>282,713</td>
<td>83,556</td>
<td>101,084</td>
</tr>
<tr>
<td>- After 1 year but within 5 years</td>
<td>489,500</td>
<td>879,990</td>
<td>250,668</td>
<td>296,286</td>
</tr>
<tr>
<td>- After 5 years</td>
<td>160,149</td>
<td>135,344</td>
<td>160,149</td>
<td>135,344</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>912,329</strong></td>
<td><strong>1,298,047</strong></td>
<td><strong>494,373</strong></td>
<td><strong>532,714</strong></td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Group As restated $</th>
<th>Group As previously stated $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority interest</td>
<td>6,264,461</td>
<td>6,386,450</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>2,453,720</td>
<td>2,105,181</td>
</tr>
<tr>
<td><strong>Non-current asset</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets - goodwill</td>
<td>1,965,620</td>
<td>1,739,070</td>
</tr>
</tbody>
</table>

29 New accounting standards and interpretations not yet adopted

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

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

FRS 23 will become effective for financial statements for the year ending 31 December 2009. FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
29 **New accounting standards and interpretations not yet adopted** (Cont’d)

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

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

Other than the change in disclosures relating to FRS 108, the initial application of these standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group’s financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.
Statistics of Shareholders
As at 31 January 2008

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

Analysis of Shareholders

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

Substantial Shareholders

<table>
<thead>
<tr>
<th>Name of Substantial Shareholder</th>
<th>Shareholdings registered in the name of the substantial shareholders</th>
<th>Shareholdings held by substantial shareholders in the name of nominees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Shares</td>
<td>%</td>
</tr>
<tr>
<td>1. Qian Hu Holdings Pte Ltd</td>
<td>49,000,000</td>
<td>11.86</td>
</tr>
<tr>
<td>2. Yap Ah Seng Alvin*</td>
<td>18,700,000</td>
<td>4.53</td>
</tr>
<tr>
<td>3. Yap Ah Siong Andy*</td>
<td>18,700,000</td>
<td>4.53</td>
</tr>
<tr>
<td>4. Yap Kim Choon*</td>
<td>18,700,000</td>
<td>4.53</td>
</tr>
<tr>
<td>5. Yap Kim Lee Kenny*</td>
<td>17,000,000</td>
<td>4.11</td>
</tr>
<tr>
<td>6. Yap Hock Huat*</td>
<td>16,100,000</td>
<td>3.90</td>
</tr>
<tr>
<td>7. Yap Ping Heng*</td>
<td>15,700,000</td>
<td>3.80</td>
</tr>
<tr>
<td>8. Yap Kim Chuani*</td>
<td>9,021,994</td>
<td>2.18</td>
</tr>
</tbody>
</table>

* Each has a shareholding of 14.04% in Qian Hu Holdings Pte Ltd ("QHHPL") except for Yap Kim Lee Kenny whose shareholding in QHHPL is 15.76%.  
Statistics of Shareholders
As at 31 January 2008

**Twenty Largest Shareholders**

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

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

Analysis of Warrantholders

<table>
<thead>
<tr>
<th>Size of Warrantholdings</th>
<th>No. of Warrantholders</th>
<th>% of Warrantholders</th>
<th>No. of Warants</th>
<th>% of Warants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 999</td>
<td>426</td>
<td>32.01</td>
<td>138,062</td>
<td>0.33</td>
</tr>
<tr>
<td>1,000 - 10,000</td>
<td>646</td>
<td>48.53</td>
<td>2,802,483</td>
<td>6.74</td>
</tr>
<tr>
<td>10,001 - 1,000,000</td>
<td>249</td>
<td>18.71</td>
<td>14,586,176</td>
<td>35.10</td>
</tr>
<tr>
<td>1,000,001 and above</td>
<td>10</td>
<td>0.75</td>
<td>24,031,430</td>
<td>57.83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,331</strong></td>
<td><strong>100.00</strong></td>
<td><strong>41,558,151</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Twenty Largest Warrantholders

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

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

Ordinary Business

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

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

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

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

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

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

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

Special Business

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

Ordinary Resolution:

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

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

(a) shares; or
(b) convertible securities; or
(c) additional securities issued pursuant to Rule 829 of the Listing Rules; or
(d) shares arising from the conversion of securities in (b) and (c) above,
Special Business (Cont’d)

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

[Resolution 7]

By Order of the Board

Lai Chin Yee
Yeoh Kar Choo Sharon
Company Secretaries

Singapore
22 February 2008
Notice of Annual General Meeting (Cont’d)

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

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

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

Dear Shareholders
We realise that you may not be able to attend our forthcoming Annual General Meeting (“AGM”) for some reason or other. As in the previous years, we have set up several channels to communicate with our investors and shareholders. All because we deeply value your feedback and input.
You now may channel your questions and feedback to us via the following methods:
• Through our online feedback at our website, www.qianhu.com
  - At our homepage, please click on ‘Qian Hu Feedback’
  - Follow the instructions and click ‘Submit’ when you have completed the online form
• By calling our automated hotline number 6511 1086
  - Dial 6511 1086
  - Choose your language options
  - Press 1 for ‘Feedback’

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

Yours faithfully

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

To facilitate your attendance at our Annual General Meeting (AGM) on 11 March 2008, at No. 71 Jalan Lekar Singapore 698950 at 11am, transport arrangements have been made available for you.
We have chartered a bus to ferry you from the Choa Chu Kang Bus Interchange (next to Choa Chu Kang MRT Station) to our meeting venue.
Please proceed to the Choa Chu Kang Bus Interchange Berth B5. The bus will leave at 10:40am sharp.
Transport will also be provided back to the Choa Chu Kang Bus Interchange after the meeting.
IMPORTANT FOR CPF INVESTORS ONLY:
1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF investors and shall not be effective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of Qian Hu Corporation Limited.

I/We _______________________________ NRIC/Passport/Co. Registration No. _______________________________ of _______________________________ being a member/members of QIAN HU CORPORATION LIMITED hereby appoint _______________________________ as my/our proxy/proxies to vote for me/us and on my/our behalf and, if necessary to demand a poll, at the Annual General Meeting (“AGM”) of the Company to be held at No. 71 Jalan Lekar Singapore 698950 on Tuesday, 11 March 2008 at 11.00 a.m. and at any adjournment thereof.

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

<table>
<thead>
<tr>
<th>No.</th>
<th>Resolutions Relating To:</th>
<th>For*</th>
<th>Against*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Directors’ Report and Audited Accounts for the financial year ended 31 December 2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Re-election of Mr Chang Weng Leong as director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Re-election of Mr Robson Lee Teck Leng as director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Re-election of Ms Lai Chin Yee as director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Approval of directors’ fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Re-appointment of KPMG as auditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Authority to allot and issue new shares</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Dated this __________________ day of __________________ 2008

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

IMPORTANT: PLEASE READ NOTES OVERLEAF
Notes:

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

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

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

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

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

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

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