

Message from The Fish

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 FY2007. 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 in year 2007.

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 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.

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 FY2009 ending 30 June 2009, upon Arcadia achieving the required NPT in FY2009.

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 FY2008. 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.

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!

Kenny Yap “The Fish”

Executive Chairman & Managing Director

主席致词

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,仟湖在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”(即我们的营收)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2007年增长了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。

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、水族与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,水族与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。

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器材的需求量。目前配件收入占总收入的39%,而观赏鱼则占49%。展望未来,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,在生产高素质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。

我们对阿卡迪亚的这项收购感到非常兴奋,这是我们在四年来的第二次主要收购行动,这也标志着公司开始进军欧洲水族与宠物器材市场。通过阿卡迪亚,我们计划在伦敦设立一个分销网,扩大我们在欧洲大陆的水族与宠物器材的出口。

阿卡迪亚也预计在2008财政年之前,将其水族灯具的全部生产,交由我们设在广州的工厂处理。此外,我们希望阿卡迪亚将大大地增强我们在发展与改进水族与宠物器材的研发能力。在我们的广州工厂正在发展更多的水族与宠物器材产品,以加强我们的研发能力的同时,扩大我们在欧盟的分销网络,对集团的未来发展已变得越来越重要。

整体展望:

我们也开始看到仟湖因强劲的利润增长而结出更多的硕果。我们预期2008年将会比2007年更好。

致谢:

仟湖的坚持与努力,让业务一次又一次地走在增长的道路。对此,我有太多的人要感谢,我要感谢我们的董事部成员、我们的职员、我们的商业伙伴,还有您——相信“仟湖的故事”的忠诚股东们。

我要向你们保证,仟湖不会因已取得的成就而自满,我们只是刚刚开始,并且将会继续加快成长的步伐,跨越进入另一个更叫人惊喜的篇章。

祝愿你们有个丰收的一年!

叶金利

执行主席兼总裁