QIAN HU CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. : 199806124N)

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

TABLE OF CONTENTS

QIAN HU CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. : 199806124N)

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) INCOME STATEMENT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 3 months ended 31 Dec			Group Financial year ended 31 Dec		
		2014	2013	Change	2014	2013	Change
		$'000	$'000	%	$'000	$'000	%
Revenue		21,298	21,555	(1.2)	83,526	83,462	0.1
Cost of sales		(16,504)	(15,560)	6.1	(60,327)	(59,257)	1.8
Gross profit		4,794	5,995	(20.0)	23,199	24,205	(4.2)
Other (expenses) income	i	(70)	42	(266.7)	33	204	(83.8)
		4,724	6,037	(21.7)	23,232	24,409	(4.8)
Selling & distribution expenses	ii	(487)	(490)	(0.6)	(1,596)	(1,626)	(1.8)
General & administrative expenses	ii	(3,815)	(5,193)	(26.5)	(20,309)	(21,499)	(5.5)
Results from operating activities	iii	422	354	19.2	1,327	1,284	3.3
Financial income	iv	3	5	(40.0)	10	14	(28.6)
Financial expenses	iv	(63)	(62)	1.6	(255)	(247)	3.2
		362	297	21.9	1,082	1,051	2.9
Share of (losses) profits of associates		(4)	(24)	(83.3)	16	(97)	116.5
Profit before tax		358	273	31.1	1,098	954	15.1
Tax expense	v	(118)	(130)	(9.2)	(405)	(391)	3.6
Profit for the period/year		240	143	67.8	693	563	23.1
Profit attributable to:							
Equity holders of the Company		**176**	**69**	**155.1**	**392**	**302**	**29.8**
Non-controlling interests		64	74	(13.5)	301	261	15.3
Profit for the period/year		240	143	67.8	693	563	23.1
Gross profit margin		22.5%	27.8%		27.8%	29.0%	
Net profit margin *		1.8%	0.7%		1.0%	0.7%	
Effective tax rate *		-	-		34.1%	45.3%	
Return on equity		-	-		0.8%	0.6%	

* excluded the loss on disposal of an associate.

QIAN HU CORPORATION LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group 3 months ended 31 Dec			Group Financial year ended 31 Dec		
	2014	**2013**	**Change**	**2014**	**2013**	**Change**
	$'000	$'000	%	$'000	$'000	%
Profit for the period/year	240	143	67.8	693	563	23.1
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	76	(128)	159.4	158	(188)	184.0
Other comprehensive income for the period/year, net of tax	76	(128)	159.4	158	(188)	184.0
Total comprehensive income for the period/year	316	15	NM	851	375	126.9
Total comprehensive income attributable to:						
Equity holders of the Company	**218**	**(7)**	NM	**493**	**159**	**210.1**
Non-controlling interests	98	22	345.5	358	216	65.7
Total comprehensive income for the period/year	316	15	NM	851	375	126.9

NM: Not Meaningful

Notes to Income Statement

(i) Other (expenses) income

Other (expenses) income comprises:

	Group 3 months ended 31 Dec		Group Financial year ended 31 Dec	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Gain on disposal of property, plant and equipment	13	8	24	44
Sundry income	51	34	143	160
Loss on disposal of an associate	(134)	-	(134)	-
	(70)	42	33	204

The loss on disposal of an associate of approximately $134K arose from the disposal of the Group's entire equity interest in one of its associates, Qian Hu Aquasstar (India) Private Limited, to its joint venture partner during the 4th quarter of 2014 for a cash consideration of $140K.

QIAN HU CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. : 199806124N)

Notes to Income Statement (cont'd)

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

The decrease in operating expenses during the 4th quarter of 2014 and for the year ended 31 December 2014 was mainly due to lower depreciation charge during the current financial year, with the leasehold buildings in Singapore being fully depreciated in FY 2013, as well as the Group's conscientious effort made to contain operating costs, which was in accordance with the Group's objective to be more productive and efficient in the long run.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Auditors' remuneration				
- auditors of the Company	20	31	99	90
- other auditors	6	5	14	14
Non-audit fees				
- other auditors	11	13	29	30
Directors' fees				
- directors of the Company	20	20	80	80
Directors' remuneration				
- directors of the Company	316	315	1,155	1,149
- directors of subsidiaries	110	112	449	439
Bad trade receivables (recovered) written off	(1)	74	57	109
Depreciation of				
- property, plant and equipment	350	463	1,406	1,957
- brooder stocks	47	47	189	190
Property, plant and equipment written off	-	-	5	2
Allowance for (Write back of allowance for)				
- doubtful trade receivables	54	135	476	676
- inventory obsolescence	(15)	(32)	(15)	15
Operating lease expenses	87	313	1,040	1,270
Personnel expenses *	2,699	3,153	12,691	12,825
Exchange gain, net	(395)	(336)	(536)	(988)
Change in fair value less estimated point-of-sale costs of breeder stocks	-	-	20	25

* Include directors' remuneration.

Notes to Income Statement (cont'd)

(iv) **Financial income**
Financial expenses

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Interest expense				
- bank loans and overdrafts	43	43	192	185
- bills payable	9	13	32	34
- finance lease liabilities	11	6	31	28
	63	62	255	247
Interest income				
- bank deposits	(3)	(5)	(10)	(14)
Net financial expenses	60	57	245	233

(v) **Tax expense**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current tax				
- current year	145	181	420	432
- over provision in respect of prior years	(27)	(51)	(15)	(41)
	118	130	405	391

Despite the tax incentives granted for qualifying expenditures, the effective tax rate registered in the 4th quarter of 2014 and for the year ended 31 December 2014 were higher than the amount obtained by applying the statutory tax rate of 17% on profit before tax mainly due to losses incurred by some entities which cannot be offset against profits earned by other companies in the Group and the varying statutory tax rates of different countries in which the Group operates.

QIAN HU CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. : 199806124N)

1(b)(i) **STATEMENTS OF FINANCIAL POSITION**

	Note	Group		Company	
		31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
		$	$	$	$
Equity attributable to equity holders of the Company					
Share capital	i	30,772,788	30,772,788	30,772,788	30,772,788
Reserves		18,775,333	18,736,426	11,581,698	11,548,179
		49,548,121	**49,509,214**	**42,354,486**	**42,320,967**
Non-Controlling Interests		1,505,172	1,485,309	-	-
Total Equity		**51,053,293**	**50,994,523**	**42,354,486**	**42,320,967**
Non-Current Assets					
Property, plant and equipment	ii	7,737,925	7,061,647	5,313,275	4,977,460
Brooder stocks	iii	8,555,082	8,744,582	8,555,082	8,744,582
Investments in subsidiaries	iv	-	-	2,295,785	2,169,615
Investments in associates	v	353,112	611,213	412,600	815,200
Intangible assets	vi	343,048	343,048	343,048	343,048
Other receivables	vii	1,240,000	2,480,000	1,240,000	2,480,000
Current Assets					
Inventories	viii	16,539,943	16,636,069	7,223,770	7,410,321
Breeder stocks	ix	44,440	71,750	44,440	71,750
Trade receivables	x	25,918,617	27,413,331	19,617,127	21,278,890
Other receivables, deposits and prepayments	xi	6,747,002	5,432,655	5,284,609	3,851,181
Due from					
- subsidiaries (trade)		-	-	6,871,287	6,380,750
- subsidiaries (non-trade)		-	-	1,276,078	1,171,377
- associate (trade)	xii	651,581	380,001	651,581	380,001
Fixed deposits		-	25,446	-	25,446
Cash and bank balances		8,557,302	6,686,903	5,011,121	3,595,438
		58,458,885	56,646,155	45,980,013	44,165,154
Current Liabilities					
Trade payables	xiii	6,388,559	6,742,660	2,738,546	3,147,320
Bills payable to banks (unsecured)	xiii	408,515	700,138	345,986	638,929
Other payables and accruals	xiv	4,420,092	4,280,911	3,606,202	3,522,248
Due to					
- subsidiaries (trade)		-	-	147,005	133,615
- subsidiaries (non-trade)		-	-	1,304,410	1,239,277
Finance lease liabilities	xv	132,075	131,955	36,556	50,516
Bank term loans	xvi	13,295,872	12,000,000	13,000,000	12,000,000
Current tax payable		424,154	432,500	207,457	207,457
		25,069,267	24,288,164	21,386,162	20,939,362
Net Current Assets		33,389,618	32,357,991	24,593,851	23,225,792
Non-Current Liabilities					
Finance lease liabilities	xv	(155,492)	(193,958)	(19,155)	(54,730)
Deferred tax liabilities		(410,000)	(410,000)	(380,000)	(380,000)
Net Assets		**51,053,293**	**50,994,523**	**42,354,486**	**42,320,967**

1(b)(i) **STATEMENTS OF FINANCIAL POSITION (cont'd)**

	Group		Company	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Inventory turnover (days)	101	102	73	70
Trade receivables turnover (days)	113	120	145	153
Trade receivables turnover (days) *(without GZQH balances)*	74	75	79	82
Debt equity ratio	0.50	0.49	0.51	0.51

Note - With the disposal of Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH"), a former subsidiary, in December 2011, the Group's and the Company's trade balances with GZQH have been reclassified as trade receivables. Accordingly, it has resulted in a higher trade receivables turnover days.

Notes to Statements of Financial Position

(i) Share capital

	Number of shares	$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2014 and 31 Dec 2014	454,106,350	30,772,788

There was no movement in the issued and paid-up capital of the Company since 31 December 2013.

There were no outstanding convertibles as at 31 December 2014 (2013: Nil).

The Company did not hold any treasury shares as at 31 December 2014 (2013: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the financial year ended 31 December 2014.

(ii) Property, plant and equipment

The increase in property, plant and equipment during the financial year was mainly related to capital expenditure incurred for the enhancement of infrastructure and construction work undertaken in Singapore and overseas on our farm facilities.

(iii) Brooder stocks

	Group and Company	
	31 Dec 2014	**31 Dec 2013**
	$	$
Cost		
Balance as at 1 Jan and 31 Dec	9,475,000	9,475,000
Accumulated depreciation and impairment losses		
Balance as at 1 Jan	730,418	540,919
Depreciation charge for the year	189,500	189,499
Balance as at 31 Dec	919,918	730,418
Net carrying value		
Balance as at 31 Dec	8,555,082	8,744,582

Notes to Statements of Financial Position (cont'd)

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

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

(iv) **Investments in subsidiaries**

The details of subsidiaries are as follows:

Name of subsidiary	**Effective equity interest held by the Group**		**Cost of investment by the Company**	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
	%	%	$	$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	171,951	171,951
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Beijing Qian Hu Aquarium & Pets Co., Ltd (People 's Republic of China)	100	100	171,824	171,824
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People 's Republic of China)	100	100	1,086,516	1,086,516
Guangzhou Qian Hu OF Feed Co., Ltd (People 's Republic of China)	100 #	-	126,170	-
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited and its subsidiary: (Thailand)	60	60	121,554	121,554
- Advance Aquatic Co., Ltd (Thailand)	60	60	-	-
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
P.T. Qian Hu Joe Aquatic Indonesia (Indonesia)	90	90	381,459	381,459
			2,295,785	2,169,615

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

Incorporated in the 2nd quarter of 2014 with a registered and paid up capital of US$100K.

Notes to Statements of Financial Position (cont'd)

(v) **Investments in associates**

The details of associates are as follows:

	Group		Company	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
	$	$	$	$
Unquoted equity investments				
- Arcadia Products PLC	812,600	812,600	812,600	812,600
- Qian Hu Aquasstar (India) Private Limited *	-	402,600	-	402,600
	812,600	1,215,200	812,600	1,215,200
Share of post-acquisition losses	(237,709)	(382,208)	-	-
Impairment loss on investment	(221,779)	(221,779)	(400,000)	(400,000)
	353,112	611,213	412,600	815,200

* Disposed in the 4th quarter of 2014.

Name of associate	**Principal activities**	**Effective equity held by the Group**	
		31 Dec 2014	**31 Dec 2013**
		%	%
Arcadia Products PLC (United Kingdom)	Manufacture and distribution of aquarium lamps	20	20
Qian Hu Aquasstar (India) Private Limited (India)	Manufacture of fish food and aquarium accessories	-	50

The Group recorded an impairment loss relating to its investment in Arcadia Products PLC ("Arcadia") as the carrying amount of the investment was affected by the depreciation of Sterling Pound (£) against Singapore Dollar (S$) since its acquisition. The Group will continue to equity account for its share of results in Arcadia.

(vi) **Intangible assets**

	Group		Company	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
	$	$	$	$
Trademarks/customer acquisition costs	921,497	937,041	921,497	921,497
Product listing fees	196,153	196,153	196,153	196,153
	1,117,650	1,133,194	1,117,650	1,117,650
Less accumulated amortisation	(774,602)	(790,146)	(774,602)	(774,602)
	343,048	343,048	343,048	343,048

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the acquisition of trademarks rights and existing customer base of two brands of pet food. Such costs were determined to have indefinite lives and are tested for impairment annually.

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

Notes to Statements of Financial Position (cont'd)

(vii) **Other receivables**

Other receivables (non-current portion) as at 31 December 2014 consist of the outstanding amounts due from the purchasers of Kim Kang ("the Purchasers") of $877,500 and the advances extended by the Company to Kim Kang before its disposal of $362,500, totalling $1.24 million.

In accordance with the Sale and Purchase Agreement ("SPA") entered into between the Company and the Purchasers dated 17 October 2012, the total consideration of $9.4 million arising from the disposal of Kim Kang is to be satisfied by $3.9 million in cash and $5.5 million of brooder stocks. Upon the execution of the SPA, a payment of 10% of the cash consideration, being $390,000, has been made by the Purchasers, together with the transfer of all brooder stocks. The balance of the cash portion of the consideration of $3.51 million will be settled in four equal annual instalments, on the first (FY 2013), second (FY 2014), third (FY 2015) and fourth (FY 2016) anniversaries of the SPA date, of $877,500 each.

In addition, the Company, being a shareholder of Kim Kang previously, had from time to time, given advances to Kim Kang. As at the SPA date, the total amount of the advances extended by the Company to Kim Kang was $2 million. The Company has entered into an Advances Repayment Agreement dated 17 October 2012, such that upon the execution of the SPA, Kim Kang has repaid $550,000 of the advances extended by the transfer of 100 pieces of brooder stocks. The balance of the advances of $1.45 million will be settled in four equal annual instalments, on the first, second, third and fourth anniversaries of the SPA date, of $362,500 each.

The first instalment in relation to the above, amounting to $1.24 million, had been fully repaid in October 2013.

During the financial year, the Purchasers has requested for an extension of time till 31 March 2015 to repay the second instalment due on 17 October 2014 of $1.24 million. In conjunction with the extension to be granted, a Mortgage Deed was executed by the Purchasers ("Mortgagor") in favour of the Company ("Mortgagee") to mortgage a piece of land parcel situated in Batu Pahat ("Property") as collateral for the repayment of the outstanding amount due. In the event that the Mortgagor fails to repay the amount outstanding by 31 March 2015, the Property will be transferred to the Mortgagee and the Mortgagee is entitled to have the Property sold and to realise and receive the outstanding amount due out of the net sale proceeds of the Property.

Based on an independent valuation exercise performed in September 2014, the market value of the Property is considerably higher than the amount due from the Mortgagor as at balance sheet date. As such, we do not foresee any collectability issue in relation to the receivables due.

Notes to Statements of Financial Position (cont'd)

(viii) Inventories

	Group		Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	$	$	$	$
Fish	3,706,347	3,898,444	2,673,101	3,064,871
Accessories	12,469,341	12,371,636	4,925,669	4,735,450
Plastics products - raw materials	299,332	293,777	-	-
Plastics products - finished goods	533,713	556,002	-	-
	17,008,733	17,119,859	7,598,770	7,800,321
Less allowance for inventory obsolescence	(468,790)	(483,790)	(375,000)	(390,000)
	16,539,943	16,636,069	7,223,770	7,410,321

(ix) Breeder stocks

	Group and Company	
	31 Dec 2014	31 Dec 2013
	$	$
Balance as at 1 Jan	71,750	197,722
Change in fair value less estimated point-of-sale costs	(20,450)	(24,802)
Decreases due to sales	(597,880)	(1,047,170)
Net increase due to births	591,020	946,000
Balance as at 31 Dec	44,440	71,750

Breeder stocks are off-springs of the brooder stocks, held for trading purposes. As at the reporting date, these stocks are measured based on their fair value, which is determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier. The decrease in breeder stocks balance as at 31 December 2014 was mainly due to difference in quantity, valuation and product mix in relation to the breeder stocks held as at both reporting dates.

(x) Trade receivables

	Group		Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	$	$	$	$
Trade receivables	28,634,479	30,033,485	22,240,593	23,774,124
Less allowance for doubtful trade receivables	(2,715,862)	(2,620,154)	(2,623,466)	(2,495,234)
	25,918,617	27,413,331	19,617,127	21,278,890

Our conscientious efforts made in monitoring and collection of trade receivables balances has resulted in the decrease in the amount of trade receivables as at 31 December 2014.

The Group and the Company has reclassified its trade balances with GZQH, a former subsidiary, as trade receivables following the disposal in December 2011. The recoverability of the amount due from GZQH is guaranteed by a major shareholder of the Company.

Notes to Statements of Financial Position (cont'd)

(xi) **Other receivables, deposits and prepayments**

	Group		Company	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
	$	$	$	$
Other receivables	2,748,572	1,610,759	2,648,327	1,418,794
Deposits	353,735	439,593	77,520	66,990
Prepayments	751,682	580,246	313,410	241,974
Advances to suppliers	2,354,421	2,335,312	2,230,636	2,101,030
Deposits for purchase of property, plant and equipment	523,241	451,870	14,716	22,393
Tax recoverable	15,351	14,875	-	-
	6,747,002	5,432,655	5,284,609	3,851,181

Other receivables (current portion) as at 31 December 2014 consist of the outstanding amounts due from the purchasers of Kim Kang of $1,755,000 (31/12/13: $877,500) and the advances extended by the Company to Kim Kang before its disposal of $725,000 (31/12/13: $362,500), totalling $2.48 million (31/12/13: $1.24 million).

The increase in other receivables as at 31 December 2014 was a result of the extension of time granted till 31 March 2015 for the repayment of the second instalment of consideration and advances totalling $1.24 million, as mentioned in (vii) above. The third instalment of the said consideration and advances is due in October 2015.

(xii) **Due from associate**

The increase in amount due from associate as at 31 December 2014 was mainly due to higher trade activities with the associate in FY 2014.

(xiii) **Trade payables and bills payable to banks**

The reduction in trade payables and bills payable as at 31 December 2014 was due to prompt settlement of these payables so as to secure better trade discounts with our regular suppliers for purchases made.

The weighted average effective interest rates per annum relating to bills payable to banks of the Group and of the Company as at 31 December 2014 are 5.65% (2013: 5.46%) and 5.25% (2013: 5.25%) respectively. These bills mature within one to four months from the reporting date.

Notes to Statements of Financial Position (cont'd)

(xiv) Other payables and accruals

	Group		Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	$	$	$	$
Accrued operating expenses	290,670	401,018	185,923	285,524
Accrued staff costs	1,668,803	1,531,524	1,326,128	1,149,600
Other payables	2,071,464	1,627,152	1,811,409	1,398,462
Advance received from customers	389,155	221,217	282,742	188,662
Due to a major shareholder of the Company	-	500,000	-	500,000
	4,420,092	4,280,911	3,606,202	3,522,248

The increase in other payables and accruals as at 31 December 2014 was mainly due to higher amount of freight expenses payable as at 31 December 2014.

The amount due to a major shareholder of the Company has been fully repaid in FY 2014.

(xv) Finance lease liabilities

Group

	Payments	Interest	Principal
31 Dec 2014	$	$	$
Payable:			
After 1 year but within 5 years	176,461	(20,969)	155,492
Within 1 year	149,665	(17,590)	132,075
	326,126	(38,559)	287,567
31 Dec 2013			
Payable:			
After 1 year but within 5 years	218,887	(24,929)	193,958
Within 1 year	150,402	(18,447)	131,955
	369,289	(43,376)	325,913

Company

	Payments	Interest	Principal
31 Dec 2014			
Payable:			
After 1 year but within 5 years	22,188	(3,033)	19,155
Within 1 year	41,458	(4,902)	36,556
	63,646	(7,935)	55,711
31 Dec 2013			
Payable:			
After 1 year but within 5 years	62,558	(7,828)	54,730
Within 1 year	57,890	(7,374)	50,516
	120,448	(15,202)	105,246

Notes to Statements of Financial Position (cont'd)

(xvi) **Bank term loans**

	Group		Company	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
	$	$	$	$
Term loans				
- short-term (unsecured)	13,000,000	12,000,000	13,000,000	12,000,000
- long-term (secured)	295,872	-	-	-
	13,295,872	12,000,000	13,000,000	12,000,000

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2013 and 2014.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.275% to 1.78% (31/12/2013: 1.21% to 1.68%) per annum and are repayable within the next 12 months from the reporting date.

The long-term loan is a bank loan of Baht 8.0 million, drawndown by a subsidiary during the financial year, secured by a mortgage on the subsidiary's freehold land. It bears interest at 6.75% per annum and is payable in 50 monthly instalments commencing September 2014.

As at 31 December 2014, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $1.8 million (31/12/2013: $1.6 million).

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2014	2013	2014	2013
	$	$	$	$
Cash flows from operating activities				
Profit before tax	357,450	272,820	1,097,560	954,013
Adjustments for:				
Bad trade receivables (recovered) written off	(1,129)	74,073	57,122	108,698
Depreciation of				
- property, plant and equipment	349,522	462,780	1,405,599	1,957,455
- brooder stocks	47,375	47,374	189,500	189,499
(Gain) Loss on disposal of				
- property, plant and equipment	(12,904)	(8,580)	(24,395)	(44,105)
- an associate	134,009	-	134,009	-
Property, plant and equipment written off	109	190	5,112	2,098
Change in fair value less estimated point-of-sale costs of breeder stocks	-	60	20,450	24,802
Allowance for (Write back of allowance for)				
- doubtful trade receivables	54,311	135,201	476,381	675,543
- inventory obsolescence	(15,000)	(32,000)	(15,000)	15,000
Share of losses (profits) of associates	4,453	24,331	(15,908)	96,930
Interest expense	63,289	61,683	256,090	246,889
Interest income	(2,775)	(4,197)	(10,267)	(13,831)
Operating profit before working capital changes	978,710	1,033,735	3,576,253	4,212,991
(Increase) Decrease in:				
Inventories	1,582,659	1,449,262	98,579	(598,051)
Breeder stocks	2,700	1,340	6,860	101,170
Trade receivables	(432,767)	(715,384)	1,046,071	(1,390,823)
Other receivables, deposits and prepayments	103,621	1,633,569	(57,485)	1,117,790
Due from associate (trade)	209,064	62,937	(271,580)	(52,805)
Increase (Decrease) in:				
Trade payables	(1,546,215)	(1,099,123)	(374,318)	689,321
Bills payable to banks	(239,088)	(163,969)	(290,669)	(183,800)
Other payables and accruals	149,083	242,781	631,944	239,730
Cash generated from operating activities	807,767	2,445,148	4,365,655	4,135,523
Tax paid	(61,440)	(99,524)	(417,847)	(461,028)
Net cash from operating activities	746,327	2,345,624	3,947,808	3,674,495
Cash flows from investing activities				
Purchase of property, plant and equipment	(578,870)	(830,682)	(1,953,171)	(1,865,454)
Proceeds from disposal of				
- property, plant and equipment	12,753	8,143	32,284	82,115
- an associate	140,000	-	140,000	-
Acquisition of additional interest in a subsidiary	-	-	-	(106,459)
Interest received	2,775	4,197	10,267	13,831
Net cash used in investing activities	(423,342)	(818,342)	(1,770,620)	(1,875,967)

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2014	2013	2014	2013
	$	$	$	$
Cash flows from financing activities				
Drawdown of bank term loans	295,872	-	2,295,872	1,000,000
Advance from a major shareholder of the Company	-	500,000	-	500,000
Repayment of				
- finance lease liabilities	(35,582)	(51,965)	(150,796)	(198,569)
- bank term loans	-	(1,000,000)	(1,000,000)	(1,000,000)
- advance from a major shareholder of the Company	-	-	(500,000)	-
- loan from non-controlling shareholder of a subsidiary	-	-	-	(7,696)
Payment of dividends to				
- equity holders of the Company	-	(2,270,532)	(454,106)	(3,178,745)
- non-controlling shareholder of a subsidiary	(133,320)	(152,560)	(337,680)	(216,720)
Interest paid	(62,698)	(61,464)	(256,685)	(245,997)
Net cash from (used in) financing activities	64,272	(3,036,521)	(403,395)	(3,347,727)
Net increase (decrease) in cash and cash equivalents	387,257	(1,509,239)	1,773,793	(1,549,199)
Cash and cash equivalents at beginning of period/year	8,120,965	8,248,786	6,712,349	8,272,353
Effect of exchange rate changes on cash balances held in foreign currencies	49,080	(27,198)	71,160	(10,805)
Cash and cash equivalents at end of period/year (Note i)	8,557,302	6,712,349	8,557,302	6,712,349

Notes to Statement of Cash Flows

(i) Cash and cash equivalents comprise:

	31 Dec 2014	31 Dec 2013
	$	$
Fixed deposits	-	25,446
Cash and bank balances	8,557,302	6,686,903
	8,557,302	6,712,349

(ii) Overall, our cash and cash equivalents increased by approximately $0.4 million and $1.8 million from a quarter and a year ago respectively.

The Group's **net cash from operating activities** in the current quarter and for the financial year ended 31 December 2014 was due to lower inventory held and our ability to realise trade receivables balance into cash. Nonetheless, much of the cash generated were utilised for the settlement of trade and bills payables so as to secure better trade discounts with our regular suppliers for purchases made.

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)**

Notes to Statement of Cash Flows (cont'd)

Net cash used in investing activities was mainly related to capital expenditure incurred for on-going enhancement to the infrastructure and farm facilities in Singapore and overseas.

During the financial year ended 31 December 2014, the net cash proceeds received from banks borrowings were mainly utilised for the repayment of advance from a major shareholder of the Company, the payment of dividends to the non-controlling shareholder of a subsidiary and the settlement of finance lease liabilities on a monthly basis, as well as the servicing of interest payments. The above, coupled with the payment of final dividends to the shareholders of the Company in April 2014, resulted in **net cash used in financing activities**.

1(d)(i) **STATEMENTS OF CHANGES IN EQUITY**

	Equity attributable to equity holders of the Company					
Group	**Share capital** $	**Accumulated profits** $	**Currency translation reserve** $	**Total** $	**Non-Controlling interests** $	**Total Equity** $
Balance at 1 Jan 2013	30,772,788	22,343,652	(587,044)	52,529,396	1,590,439	54,119,835
Total comprehensive income for the year						
Profit for the year	-	301,675	-	301,675	261,420	563,095
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(143,112)	(143,112)	(45,454)	(188,566)
Total other comprehensive income	-	-	(143,112)	(143,112)	(45,454)	(188,566)
Total comprehensive income for the year	-	301,675	(143,112)	158,563	215,966	374,529
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Payment of dividends	-	(3,178,745)	-	(3,178,745)	-	(3,178,745)
Payment of dividend to non-controlling shareholder of a subsidiary	-	-	-	-	(216,720)	(216,720)
Total contributions by and distributions to owners	-	(3,178,745)	-	(3,178,745)	(216,720)	(3,395,465)
Changes in ownership interests in subsidiaries						
Acquisition of additional interest in a subsidiary	-	-	-	-	(104,376)	(104,376)
Total changes in ownership interests in subsidiaries	-	-	-	-	(104,376)	(104,376)
Total transactions with owners	-	(3,178,745)	-	(3,178,745)	(321,096)	(3,499,841)
Balance at 31 Dec 2013	30,772,788	19,466,582	(730,156)	49,509,214	1,485,309	50,994,523

1(d)(i) **STATEMENTS OF CHANGES IN EQUITY (cont'd)**

Group	Share capital $	Accumulated profits $	Currency translation reserve $	Total $	Non-Controlling interests $	Total Equity $
	Equity attributable to equity holders of the Company					
Balance at 1 Jan 2014	30,772,788	19,466,582	(730,156)	49,509,214	1,485,309	50,994,523
Total comprehensive income for the year						
Profit for the year	-	391,881	-	391,881	300,528	692,409
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	101,132	101,132	57,015	158,147
Total other comprehensive income	-	-	101,132	101,132	57,015	158,147
Total comprehensive income for the year	-	391,881	101,132	493,013	357,543	850,556
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Payment of first and final dividend	-	(454,106)	-	(454,106)	-	(454,106)
Payment of dividend to non-controlling shareholder of a subsidiary	-	-	-	-	(337,680)	(337,680)
Total transactions with owners	-	(454,106)	-	(454,106)	(337,680)	(791,786)
Balance at 31 Dec 2014	30,772,788	19,404,357	(629,024)	49,548,121	1,505,172	51,053,293

Company	Share capital $	Accumulated profits $	Currency translation reserve $	Total $
Balance at 1 Jan 2013	30,772,788	14,478,844	-	45,251,632
Total comprehensive income for the year				
Profit for the year	-	274,573	-	274,573
Other comprehensive income				
Translation differences relating to financial statements of foreign operations, net of tax	-	-	(26,493)	(26,493)
Total other comprehensive income	-	-	(26,493)	(26,493)
Total comprehensive income for the year	-	274,573	(26,493)	248,080
Transactions with owners, recognised directly in equity				
Contributions by and distributions to owners				
Payment of dividends	-	(3,178,745)	-	(3,178,745)
Total transactions with owners	-	(3,178,745)	-	(3,178,745)
Balance at 31 Dec 2013	30,772,788	11,574,672	(26,493)	42,320,967

1(d)(i) **STATEMENTS OF CHANGES IN EQUITY (cont'd)**

Company	Share capital $	Accumulated profits $	Currency translation reserve $	Total $
Balance at 1 Jan 2014	30,772,788	11,574,672	(26,493)	42,320,967
Total comprehensive income for the year				
Profit for the year	-	496,520	-	496,520
Other comprehensive income				
Translation differences relating to financial statements of foreign operations, net of tax	-	-	(8,895)	(8,895)
Total other comprehensive income	-	-	(8,895)	(8,895)
Total comprehensive income for the year	-	496,520	(8,895)	487,625
Transactions with owners, recognised directly in equity				
Contributions by and distributions to owners				
Payment of first and final dividend	-	(454,106)	-	(454,106)
Total transactions with owners	-	(454,106)	-	(454,106)
Balance at 31 Dec 2014	30,772,788	11,617,086	(35,388)	42,354,486

2 **AUDIT**

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

3 **AUDITORS' REPORT**

See attached auditors' report.

4 **ACCOUNTING POLICIES**

Other than the adoption of the new and revised Financial Reporting Standards (FRS) as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2013.

5 **CHANGES IN ACCOUNTING POLICIES**

During the current financial year, the Group and the Company have adopted the following new and revised FRS which took effect from financial year beginning 1 January 2014:

- FRS 110 *Consolidated Financial Statements*
- Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

The adoption of these new and revised FRS is assessed to have no financial effect on the results and financial position of the Group and of the Company for the current and the previous financial years. Accordingly, it has no impact on the earnings per share of the Group and of the Company.

6 EARNINGS PER ORDINARY SHARE (EPS)

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2014	2013	2014	2013
Earnings Per Ordinary Share (based on consolidated net profit attributable to equity holders)				
- on weighted average number of ordinary shares on issue (cents)	0.04	0.02	0.09	0.07
- on a fully diluted basis (cents)	0.04	0.02	0.09	0.07

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 454,106,350 (2013: 454,106,350).

There is no difference between the basic and diluted earnings per share.

7 NET ASSET VALUE PER SHARE

	Group		Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Net asset value per share based on existing issued share capital as at the respective dates (cents)	11.24	11.23	9.33	9.32

Net asset value per share is computed based on the number of shares in issue as at 31 December 2014 of 454,106,350 (2013: 454,106,350).

8 REVIEW OF GROUP PERFORMANCE

(a) Revenue

Financial year 2014 vs financial year 2013

	Group		Increase (Decrease)	
	Financial year ended 31 Dec			
	2014	2013		
	$'000	$'000	$'000	%
Fish	35,371	34,562	809	2.3
Accessories	37,523	36,680	843	2.3
Plastics	10,632	12,220	(1,588)	(13.0)
	83,526	83,462	64	0.1

For the financial year ended 31 December 2014, our ornamental fish and accessories activities continued to be our core business segments, which together accounted for 87.3% of the total revenue. We managed to record a total revenue of approximately $83.5 million for both financial years.

On a geographical basis, revenue from Singapore dipped by 5.0% while revenue from overseas grew by approximately 2.1% in FY 2014 as compared to FY 2013.

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

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

4Q 2014 vs 4Q 2013

	Group		Increase (Decrease)	
	4Q 2014	4Q 2013		
	$'000	$'000	$'000	%
Fish	8,710	8,671	39	0.4
Accessories	9,817	9,883	(66)	(0.7)
Plastics	2,771	3,001	(230)	(7.7)
	21,298	21,555	(257)	(1.2)

Although our ornamental fish and accessories activities registered stable revenue in the 4th quarter of 2014 as compared to its corresponding period in 2013, the reduction in our plastic revenue has resulted in a decrease in overall revenue by approximately $0.3 million or 1.2% in the current quarter as compared to its corresponding period in 2013.

Fish
Moving into 4th quarter of 2014, we continue to see steady Dragon Fish revenue contribution generated from the China market as the selling prices of these fish stabilised. In addition, our continuous efforts to increase our export of ornamental fish to more customers and countries around the world from Singapore, Malaysia, Thailand and Indonesia, have given rise to an improved ornamental fish revenue in the current quarter as compared to its corresponding period in 2013. We envisage that the Group should see a sustainable growth in its ornamental fish's business in the coming quarters.

Accessories
Revenue from our accessories business remained relatively consistent in the current quarter, comparable to that of the corresponding period in 2013.

Plastics
Since the beginning of the current financial year, the revenue contribution from our plastic business was affected by the reduction in market demand as a result of the upward revision in the selling prices of our plastic products in view of the increase in raw material prices then. Although the demand has since recovered in the 2nd half of 2014, the revenue registered in the current quarter was approximately $0.2 million or 7.7% lower than that of its corresponding period in 2013.

4Q 2014 vs 3Q 2014

	Group		Increase	
	4Q 2014	3Q 2014		
	$'000	$'000	$'000	%
Fish	8,710	8,351	359	4.3
Accessories	9,817	9,456	361	3.8
Plastics	2,771	2,654	117	4.4
	21,298	20,461	837	4.1

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

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

4Q 2014 vs 3Q 2014 (cont'd)

Our revenue increased by $0.8 million or 4.1% from approximately $20.5 million in 3rd quarter 2014 to $21.3 million in the 4th quarter of 2014. All business segment registered growth in revenue during the current quarter as compared to the previous quarter.

Fish
During the 3rd quarter of 2014, we saw a reduction in Dragon Fish revenue contribution generated from the China market as our customers were reluctant to purchase and hold more inventory in view of the severe hot climate in China during the summer months. In addition, our ornamental fish export business was affected by the summer holidays in Europe whereby our European customers would mostly take off for their own vacation. As the demand from these revenue sources has picked up in the current quarter, it has resulted in higher ornamental fish contribution in the current quarter as compared to its previous quarter.

Accessories
Revenue from our accessories activities continued its growth momentum into the 4th quarter of 2014. The increase in revenue from our accessories business on a quarter-on-quarter basis was mainly a result of better revenue contribution from our export sales, as well as our conscientious efforts made to focus on selling more of our proprietary brand of innovative products.

Plastics
With the gradual resumption in demand for our plastic products after a temporary reduction in market demand as a result of the upward revision in selling prices with effect from January 2014, the revenue from our plastic activities has increased by approximately $0.1 million or 4.4% to $2.8 million on a quarter-on-quarter basis.

(b) **Profitability**

Financial year 2014 vs financial year 2013

	Group Financial year ended 31 Dec		Increase (Decrease)	
	2014	**2013**		
	$'000	$'000	$'000	%
Fish	1,105	826	279	33.8
Accessories	1,862	1,606	256	15.9
Plastics	423	713	(290)	(40.7)
Unallocated corporate expenses	(2,158)	(2,191)	33	1.5
	1,232	954	278	29.1
Loss on disposal of an associate	(134)	-	(134)	
	1,098	954	144	15.1

Despite the comparable revenue contribution registered, our operating profit increased by 29.1% from approximately $1.0 million in FY 2013 to $1.2 million in FY 2013. Profit after taxation attributable to equity holders amounted to $0.4 million for the year ended 31 December 2014. Our accessories business is the main profit contributor in the current financial year.

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

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

4Q2014 vs 4Q 2013

	Group		Increase (Decrease)	
	4Q 2014	4Q 2013		
	$'000	$'000	$'000	%
Fish	301	216	85	39.4
Accessories	618	430	188	43.7
Plastics	112	164	(52)	(31.7)
Unallocated corporate expenses	(539)	(537)	(2)	(0.4)
	492	273	219	80.2
Loss on disposal of an associate	(134)	-	(134)	
	358	273	85	31.1

The increase in operating profit contribution from our core business segments has lifted the profitability registered in the 4th quarter of 2014 by approximately $0.2 million or 80.2% as compared to its corresponding period in 2013.

Fish

The increase in profitability by approximately $0.1 million or 39.4%, notwithstanding a flat growth in revenue registered by the ornamental fish business in the 4th quarter of 2014 as compared to its corresponding period in 2013, was a result of the difference in sales mix, coupled with the improved profit margins from Dragon Fish, following the stabilisation of its selling prices.

The reliance and resilient of our ornamental fish export business continued to turn in stable revenue and generate respectable profit margins.

Accessories

Despite the marginally lower revenue contribution from our accessories export business registered, the difference in sales mix, coupled with our conscientious efforts made to capture more market through the selling of our proprietary brand of innovative products with better margins, has enhanced the profitability of our accessories business in the 4th quarter of 2014 as compared to its corresponding period in 2013.

Plastics

During the current quarter, the profitability of our plastics business was affected by the higher raw material (resins) prices, coupled with the gradual increase in overall operational costs and the lower revenue contribution from this business segment.

Unallocated corporate expenses

These were staff costs and administrative expenses incurred in relation to the overseeing of both the Group's local and overseas operations.

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

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

4Q2014 vs 3Q 2014

	Group		Increase (Decrease)	
	4Q 2014	3Q 2014		
	$'000	$'000	$'000	%
Fish	301	261	40	15.3
Accessories	618	424	194	45.8
Plastics	112	97	15	15.5
Unallocated corporate expenses	(539)	(539)	-	-
	492	243	249	102.5
Loss on disposal of an associate	(134)	-	(134)	
	358	243	115	47.3

Fish
Despite the increase in revenue registered by the ornamental fish business in the 4th quarter of 2014 as compared to the previous quarter, the profitability of our ornamental fish business was sliced off as a result of the difference in sales mix registered in both quarters.

Accessories
The increase in operating profit from our accessories activities were in accordance with the steady increase in revenue contribution in the current quarter as compared to the previous quarter.

Plastics
The higher revenue registered by the plastic business in the current quarter had given rise to the improvement in profit contribution from the 3rd quarter of 2014 to the 4th quarter of 2014.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

To be the world's Number 1 ornamental fish exporter
Ornamental fish will continue to be an important core business activity of our Group. Currently, we export ornamental fish to more than 80 countries around the world from our export hubs in Singapore, Malaysia, Thailand, Indonesia and China. As Singapore, Malaysia, Thailand and Indonesia supply in total close to 60% to 70% of the world's ornamental fish, we believe that Qian Hu is the region's biggest exporter of ornamental fish, capturing more than 5% of the global market share in terms of ornamental fish export.

Our long-term goal is to gradually increase our global market share to 10% and that we are able to export ornamental fish to more than 100 countries – this will make us the top ornamental fish exporter in the world. While we increase our efforts on expanding our export distribution network to more countries around the world, we will focus on high-growth regions such as the Middle East, Eastern Europe, China and India.

10 **PROSPECTS (cont'd)**

To improve productivity using technology and automation
While putting in efforts in exploring more overseas markets, we will also leverage on our research & development capability to improve our ornamental fish packaging technology and quarantine skills to further differentiate ourselves from the other industry players.

Our concept of a next-generation high-technology fish farm is to keep fish using our HYDROPURE technology (see below) to automate the process with less reliant on manual manpower to monitor the system. Accordingly, it should increase the effectiveness, efficiency and productivity of our work force. We are in the process of automating our fish operations in Singapore. By Year 2016, our Singapore fish operations will be transformed into a truly high-technology and cost effective fish farm. We will then replicate the automated system at our regional fish hubs in Thailand, China, Malaysia, and Indonesia.

To widen our distribution network and strengthen our market capability
We intend to continue to strengthen our market capability, which is one of Qian Hu's differentiating factors. While we endeavor to export ornamental fish to more than 100 countries around the world, on our accessories front, our goal is to export to more than 60 countries, and to spur global demand for our proprietary innovative products. Qian Hu also strives to be one of the top three accessories distributors in China, Malaysia, and Thailand. Currently, Qian Hu is the biggest aquarium accessories distributor in Singapore.

To reinforce our commitment in research & development ("R&D") and enhance growth by means of innovation
In moving to our next level of growth, innovation has become a vital strategic thrust for Qian Hu, a key to our industry's long term sustainability.

Our R&D team in Singapore, which was formed in Year 2009, has engaged in the following three major research directions in recent years:-

(i) *New filtration technology and tank system using HYDROPURE technology:*
This is our patented aquatic water purification technology that we have developed for the past five years and is now bearing fruits. In essence, HYDROPURE technology removes all the undesired toxic compounds in the water and retains all desired compounds that are needed by the aquatic organism in the aquatic environment. Using this novel technology, we target to lessen the hassle of fish keeping to a bare minimum. We will continue to develop a range of new generation aquarium accessories, ranging from filtration systems to sterilisation unit for aquariums which we anticipate to revolutionalise the ornamental fish industry.

(ii) *Fish Nutritional technology:*
As 50% of the fish hobbyist feeds live feed to their fish, it is one of the biggest deterring factors for many hobbyists when they are considering taking up the hobby of fish keeping. Our aim is to replace all the live feeds, shall it be tubifex worms or bloodworms, from crickets to feeder fish, with our new proprietary fish food. Our effort in fish nutrition R&D has led us to a new level of competency and edge over our competitors.

(iii) *Leading-edge Dragon Fish research:*
We have achieved significant progress in our leading-edge Dragon Fish research which started in Year 2007. With our early mover advantage, we believe that Qian Hu will be the first Dragon Fish farm in the world to genetically produce unique Dragon Fish in the next few years.

10 **PROSPECTS (cont'd)**

To build a company that last through generations

We have always set out to build a company that last through generations, not only in sustaining profitability, but placing a high priority on the various expectations of stakeholders as well. We have put in place our succession plan since Year 2005. This forward thinking mentality entails us to stay focused in whatever we do, to change in accordance with the changing environment and to continue to differentiate ourselves.

As we do not expect to incur substantial amounts of capital expenditure or investments in the foreseeable future, with the stable profit from all the entities within the Group, coupled with better cash management skill and the consistency in generating cash from operating activities, we believe that Qian Hu will soon move towards becoming a debt-free company with high dividend payout.

Our business model remains robust and the diversity of our business has put us in a good standing. We will be more aggressive in the strengthening of our fundamentals and our financial positions as well as in enhancing our ability to generate cash. In addition, we will continue to leverage on innovation and advance technology to transform Qian Hu into a next-generation ornamental fish company with a strong pipeline of new innovative accessories products. We believe that by doing so, it will enable Qian Hu to be more resilient and sustainable in the long run. Barring any unforeseen circumstances, the Group will continue to grow its revenue and be profitable in the Year 2015.

11 **RISK FACTORS AND RISK MANAGEMENT**

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

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

Country risk

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

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

Country risk (cont'd)

As at 31 December 2014, approximately 26% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 73% of the total revenue in FY 2014. In view of our Group's expansion plan, the percentage of its overseas assets and activities will continue to increase moving forward. The effect of greater geographical diversification reduces the risk of concentration in a single operation.

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. Our Group strives to minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as business continuity planning. In addition, we have been awarded ISO 9001:2008 certification for our local businesses as well as our overseas subsidiaries. We have also achieved ISO 14001:2004 certification for our environmental management system to preserve natural resources and minimise wastage.

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

Product risk

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds at any one point in time is uncommon. We have institutionalised a comprehensive health management and quarantine system for all our domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for our fishes. Currently, all our domestic and overseas fish operations have attained ISO 9001:2008 certification, including the breeding of Dragon Fish. There is no known disease that is fatal to the Dragon Fish because of its primitive and prehistoric origin.

Although our Dragon Fish sales contributed approximately 12% of our Group total revenue for the year ended 31 December 2014, we sell over 1,000 species and varieties of ornamental fish and more than 3,000 kinds of accessories products to more than 80 countries and are not solely reliant on the sale of any particular type or species of fish or accessories products. We are diversified in both our products and markets.

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

11 RISK FACTORS AND RISK MANAGEMENT (cont'd)

Climate change & Environmental risk

Climate change and environmental risk is a growing concern especially in the last few years. The recent spate of natural disasters and continuing threat of future occurrences have prompted companies, Qian Hu alike, to embark on strategic reviews on key areas such as infrastructure and logistics, to minimise the business impact of untoward events. Our Group will also explore the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species, to mitigate and manage risks related to adverse weather conditions, and to ensure consistent supply of these fish species.

Investment risk

Our Group grows businesses through organic growth of our existing activities, development of new capabilities (e.g. product innovation) and through new ventures with business partners. Business proposals and investment activities are evaluated through performance of due diligence exercise and where necessary, supported by external professional advice. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.

Foreign exchange risk

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

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

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

Credit risk

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

None of our customer or supplier contributes more than 5% of our Group's revenue and purchases. It is our Group's policy to sell to a diverse group of creditworthy customers so as to reduce concentration of credit risk. Cash terms or advance payments are required for customers with lower credit standing.

While our Group faces the normal business risks associated with ageing collections, we have adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Accordingly, our Group does not expect to incur material credit losses.

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

Interest rate risk

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

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

We are progressively improving our debt position and our aim to move towards becoming a debt-free company will also mitigate this risk.

Liquidity risk

Our Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to ensure that we have sufficient funds to meet contractual and financial obligations as and when they fall due. Over the years, we have enhanced our ability to generate cash from operating activities; accordingly, we envisage that our cash position will continue to improve, hence reducing liquidity risk.

Derivative financial instrument risk

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

12 **DIVIDEND**

(a) **Present period**

Name of dividend	First & final
Dividend type	Cash
Dividend rate	0.1 cents per ordinary share
Tax rate	One-tier tax exempt

(b) **Previous corresponding period**

Name of dividend	Special Interim	Final
Dividend type	Cash	Cash
Dividend rate	0.5 cents per ordinary share	0.1 cents per ordinary share
Tax rate	One-tier tax exempt	One-tier tax exempt

(c) **Total annual dividend**

	Latest year ($'000)	Previous year ($'000)
Ordinary	454	2,725
Preference	-	-
Total:	454	2,725

12 **DIVIDEND (cont'd)**

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 19 March 2015, the dividend will be paid on 17 April 2015.

(e) **Books closure date**

Registrable Transfers received by the Company's Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, up to 5:00 pm on 6 April 2015 will be registered before entitlements to the proposed dividend are determined. The Register of Transfer and the Register of Members of the Company will be closed on 7 April 2015 for the preparation of dividend warrants.

13 **INTERESTED PERSON TRANSACTIONS**

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

During the financial year, there were interested person transactions based on terms agreed between the parties as follows:-

	Group		Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	$	$	$	$
Fees paid to a company in which a director has an interest	14,500	15,700	14,500	15,700
Guarantee fee paid to a major shareholder of the Company *	40,000	45,000	40,000	45,000
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

* *The Group and the Company are charged a guarantee fee of 0.5% per annum on the average balance of the outstanding amounts due from GZQH, a former subsidiary. The guarantee fee is payable to a major shareholder of the Company, for guaranteeing the payment of the outstanding amounts.*

Except for the above, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the financial year ended 31 December 2014.

14 **SEGMENT INFORMATION**

(a) **Business segments**

The Group's operating segments are its strategic business units which offer different products and are managed separately. The reportable segment presentation is based on the Group's management and internal reporting structure used for its strategic decision-making purposes.

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

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

The Group's activities comprise the following reportable segments:

(i) Fish - includes fish farming, breeding, distribution and trading of ornamental fish;
(ii) Accessories - includes manufacturing and distribution of aquarium and pet accessories;
(iii) Plastics - includes manufacturing and distribution of plastic bags; and
(iv) Others - includes Corporate Office and consolidation adjustments which are not directly attributable to a particular business segment above.

	Financial year ended 31 Dec 2014				
	Fish	Accessories	Plastics	Others	Total
Group	$'000	$'000	$'000	$'000	$'000
Revenue					
External revenue	35,371	37,523	10,632	-	83,526
Inter-segment revenue	1,758	6,917	158	(8,833)	-
Total Revenue	37,129	44,440	10,790	(8,833)	83,526
Results					
EBITDA *	2,059	2,456	513	(1,972)	3,056
Depreciation and amortisation	(934)	(571)	(90)	-	(1,595)
Interest expense	(27)	(42)	-	(186)	(255)
Interest income	7	3	-	-	10
	1,105	1,846	423	(2,158)	1,216
Loss on disposal of an associate	-	(134)	-	-	(134)
Share of profits of associates	-	16	-	-	16
Profit before tax	1,105	1,728	423	(2,158)	1,098
Tax expense	(223)	(165)	(17)	-	(405)
Profit for the year	882	1,563	406	(2,158)	693
Net profit margin	**2.5%**	**4.2%**	**3.8%**		**0.8%**
Assets and Liabilities					
Segment assets	31,386	37,917	3,431	3,954	76,688
Investment in associate	-	353	-	-	353
Segment liabilities	5,170	5,236	1,742	13,487	25,635
Other Segment Information					
Expenditures for non-current assets **	1,588	303	170	-	2,061
Other non-cash items:					
Bad trade receivables written off	54	3	-	-	57
Gain on disposal of property, plant and equipment	(7)	(16)	(1)	-	(24)
Property, plant and equipment written off	-	5	-	-	5
Allowance for (Write back of allowance for)					
- doubtful trade receivables	387	85	4	-	476
- inventory obsolescence	-	(15)	-	-	(15)
Change in fair value less estimated point-of-sale costs of breeder stocks	20	-	-	-	20

* *EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation.*

** *This includes capital expenditure and additions to other non-current assets.*

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

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

	Financial year ended 31 Dec 2013				
	Fish	**Accessories**	**Plastics**	**Others**	**Total**
Group	$'000	$'000	$'000	$'000	$'000
Revenue					
External revenue	34,562	36,680	12,220	-	83,462
Inter-segment revenue	1,663	8,783	217	(10,663)	-
Total Revenue	36,225	45,463	12,437	(10,663)	83,462
Results					
EBITDA *	2,119	2,528	797	(2,013)	3,431
Depreciation and amortisation	(1,282)	(782)	(83)	-	(2,147)
Interest expense	(22)	(46)	(1)	(178)	(247)
Interest income	11	3	-	-	14
	826	1,703	713	(2,191)	1,051
Share of losses of associates	-	(97)	-	-	(97)
Profit before tax	826	1,606	713	(2,191)	954
Tax expense	(151)	(175)	(65)	-	(391)
Profit for the year	675	1,431	648	(2,191)	563
Net profit margin	**2.0%**	**3.9%**	**5.3%**		**0.7%**
Assets and Liabilities					
Segment assets	29,534	38,769	3,825	3,759	75,887
Investments in associates	-	611	-	-	611
Segment liabilities	4,503	5,597	1,929	12,863	24,892
Other Segment Information					
Expenditures for non-current assets **	964	929	76	-	1,969
Other non-cash items:					
Bad trade receivables written off	103	6	-	-	109
Loss (Gain) on disposal of property, plant and equipment	3	(45)	(2)	-	(44)
Property, plant and equipment written off	1	1	-	-	2
Allowance for					
- doubtful trade receivables	608	68	-	-	676
- inventory obsolescence	-	15	-	-	15
Change in fair value less estimated point-of-sale costs of breeder stocks	25	-	-	-	25

(b) **Geographical segments**

Geographical segments are analysed by four principal geographical areas, namely Singapore, Asia, Europe and Others (i.e. the rest of the world).

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers which the sales are made to regardless of where the sales originate. Segment non-current assets and total assets are based on the geographical location of the assets.

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

(b) Geographical segments (cont'd)

	Revenue		Segment non-current assets		Segment assets	
	Financial year ended 31 Dec		Financial year ended 31 Dec		Financial year ended 31 Dec	
	2014	2013	2014	2013	2014	2013
Group	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	22,932	24,141	15,406	16,459	56,660	57,072
Other Asian countries	44,694	42,804	2,470	2,449	19,675	18,484
Europe	9,603	9,416	353	331	353	331
Others	6,297	7,101	-	-	-	-
Total	83,526	83,462	18,229	19,239	76,688	75,887

(c) Major customers

There is no customers contributing more than 10 percent to the revenue of the Group.

15 **BREAKDOWN OF REVENUE**

Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Total** $'000
4Q 2014				
Singapore (including domestic sales & sales to Singapore)	940	2,015	2,732	5,687
Overseas (including export to & sales in overseas)	7,770	7,802	39	15,611
Total revenue	8,710	9,817	2,771	21,298
4Q 2013				
Singapore	1,081	1,989	2,867	5,937
Overseas	7,590	7,894	134	15,618
Total revenue	8,671	9,883	3,001	21,555
Financial year ended 31 Dec 2014				
Singapore (including domestic sales & sales to Singapore)	4,354	8,084	10,494	22,932
Overseas (including export to & sales in overseas)	31,017	29,439	138	60,594
Total revenue	35,371	37,523	10,632	83,526
Financial year ended 31 Dec 2013				
Singapore	4,615	7,621	11,905	24,141
Overseas	29,947	29,059	315	59,321
Total revenue	34,562	36,680	12,220	83,462

16 **QUARTERLY ANALYSIS**

	Group		
	Financial year ended 31 Dec		Increase
	2014	2013	(Decrease)
	$'000	$'000	%
Revenue			
1st Quarter	20,698	20,213	2.4
2nd Quarter	21,069	21,199	(0.6)
3rd Quarter	20,461	20,495	(0.2)
4th Quarter	21,298	21,555	(1.2)
	83,526	83,462	0.1
Profit before tax			
1st Quarter	332	159	108.8
2nd Quarter	165	250	(34.0)
3rd Quarter	243	272	(10.7)
4th Quarter	358	273	31.1
	1,098	954	15.1
Profit attributable to equity holders of the Company			
1st Quarter	115	62	85.5
2nd Quarter	22	83	(73.5)
3rd Quarter	79	88	(10.2)
4th Quarter	176	69	155.1
	392	302	29.8

- **Revenue**

  During the financial year, with our enhanced marketing efforts, we managed to sell more quantity of Dragon Fish, as the selling prices of these fish stabilised towards the end of FY 2013, mainly to our Northeast Asian markets, especially China, where we have a robust market share, a widening distribution network and a strong brand identity. In addition, the revenue contribution from our newly incorporated subsidiary in Indonesia, as well as our continuous efforts to increase our export of ornamental fish to more customers and countries around the world from Singapore, Malaysia and Thailand have given rise to the stable ornamental fish revenue contribution.

  Our accessories business, being more export-oriented, continued to leverage on our Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. Our subsidiaries in Malaysia, Thailand and China have also managed to broaden the distribution network in their countries to capture more sales.

  The above increase in revenue contribution from our core business segments was partially offset by the reduction in revenue generated from our plastic business. This is mainly due to a temporary reduction in market demand for our plastic products during the 1st half of the year, following an upward revision in selling prices in view of an increase in its raw material prices. The demand has since resumed gradually in the 2nd half of the year.

16 **QUARTERLY ANALYSIS (cont'd)**

- **Profitability**
  The overall retrieval in profitability during the financial year was in line with the increase in revenue contribution from our core business segments.

  The increase in profitability registered by the ornamental fish business was as a result of the difference in sales mix, coupled with the improved profit margins from Dragon Fish, following the stabilisation of its selling prices. The Group should see a steady growth in its ornamental fish's revenue and profitability in the coming quarters.

  In addition, our conscientious efforts made to capture more market through the selling of our proprietary brand of innovative products with better margins, has boosted the profitability of our accessories business during the financial year.

  The profitability of our plastic business, on the other hand, has dipped by approximately 40% due to the higher raw material prices, coupled with the gradual increase in overall operational costs and the lower revenue contribution from this business segment.

17 **PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO THE DIRECTORS, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDERS**

Pursuant to Rule 704(13) of the Listing Manual of SGX-ST, we set out below the persons holding managerial positions in the Group who are related to the Directors, Chief Executive Officer or substantial shareholders of the Company or of any of its principal subsidiaries:

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Tan Boon Kim	49	Brother-in-law of Alvin Yap Ah Seng and Andy Yap Ah Siong	Managing Director of - Thai Qian Hu Company Limited (since 2002) - Qian Hu Marketing Co Ltd (since 2005) - P.T. Qian Hu Joe Aquatic Indonesia (since 2012) **Duties :** Oversees the business operations and business development of Thai Qian Hu Company Limited, Qian Hu Marketing Co Ltd & P.T. Qian Hu Joe Aquatic Indonesia	No change

17 **PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO THE DIRECTORS, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDERS (cont'd)**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Yap Kim Choon	54	Substantial shareholder and brother of Kenny Yap Kim Lee	Division head of Wan Hu division (since 1988) **Duties :** Oversees the daily business operations of Wan Hu division	No change
Lee Kim Hwat	60	Brother-in-law of Kenny Yap Kim Lee	Managing Director of Qian Hu Tat Leng Plastic Pte Ltd (since 1996) **Duties :** Oversees and manages the daily operations and business development of Qian Hu Tat Leng Plastic Pte Ltd	No change

Kenny Yap Kim Lee, Alvin Yap Ah Seng, Andy Yap Ah Siong, Yap Ping Heng, Yap Hock Huat, Yap Kim Choon and Yap Kim Chuan are the substantial shareholders of the Company.

Yap Ping Heng, Yap Hock Huat, Yap Kim Choon, Yap Kim Chuan and Kenny Yap Kim Lee (Executive Chairman and Managing Director) are brothers. They are cousins to Alvin Yap Ah Seng and Andy Yap Ah Siong, our Executive Directors. Alvin Yap Ah Seng and Andy Yap Ah Siong are brothers.

BY ORDER OF THE BOARD
Kenny Yap Kim Lee
Executive Chairman and Managing Director
12 January 2015

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Independent auditors' report

Members of the Company
Qian Hu Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the income statements, statements of comprehensive income and statements of changes in equity of the Group and the Company, and the statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS61.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 about 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, income statement, statement of comprehensive income 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 2014 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.

Report on other legal and regulatory requirements

In our opinion, 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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
12 January 2015