

# Message from The Fish



## Dear friends

It gives me great pleasure to report on key successful developments during the year. It has been another exhilarating year for Qian Hu ("or the Group"). In recent years, we had set out the long-term growth strategy for the Group – leveraging on innovation, enhancing automation and launching new products and accessories to remain competitive and ensure sustainability well into the future. While our current ornamental fish business is stable, profitable and still holding growth potential, as an impetus to take us to a new level of growth, we entered into the aquaculture business. In early 2017, we commenced operations of our aquaculture project in Hainan Province, rearing Grouper fingerlings followed by a second aquaculture farm, engaging in the import and export of edible fish and other seafood products in the same region. I am delighted to report that early indications point to the success of both, which is one of the highlights of the year!

## Beauty for your eyes, Food for your – All from Our Heart

We have long been associated with the highest quality of ornamental fish in markets around the world. After painstakingly laying the groundwork and replicating our cutting-edge hydra filtration technology and high quality proprietary fish feed, which had made us leaders in the ornamental fish business, we boldly stepped into the aquaculture sector in 2016 using this knowledge to grow antibiotic-free edible fish. While capture fishery production has remained relatively stable, aquaculture has registered impressive growth in the supply of fish for human consumption. The aquaculture business is estimated to be worth US\$176.45 billion<sup>1</sup> and accounted for 47% of the world's fish as food<sup>2</sup>. This bodes well for our entry into the business, as it signifies the immense growth potential for us, given the ongoing and increasing demand for sustainable, nutrition-dense, environmentally-friendly and safe food. The challenge now is for us to replicate the success we have achieved with our ornamental food and other businesses in this segment. We are confident of our ability to do this, given our promising start.

## A Truly "Fishy" Company Making our Successful Leap into Edible Fish

Both our farms have already begun to contribute positively to the Group's financial performance. In July, we started farming lobster fingerlings. Our second farm, whose actual operations started in June 2018, has begun its export activity, with live products being exported to Singapore, Malaysia, Vietnam and Thailand. Table-sized Marbled Goby are already being exported to Singapore and Malaysia from there. We are in the process of expanding the variety of exported fish such as Golden Pompano and Sand Goby as well as the number of export markets in the region.

Presently, we are focusing on delivering consistent fingerlings at our first farm and engaging in the import and export of edible fish and other seafood items in our second. While our aquaculture business is still in its fledgling stage, we have ambitions to extend our activities to meet the growing demand in the near future. In particular, we will be looking for synergistic tie-ups to extend our involvement in the supply value chain such as in the area of Grouper hatchery. Our plans extend to backward integration of our value chain to the larval, nursery and grow-out culture.

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## Swimming Further and Beyond

Our eventual goal is to expand our business of sustainable farming of edible fish for the China consumer market and beyond so that over the longer term, the aquaculture business may grow to be the largest revenue contributor to the Group. While this may seem like a tall order, the markers are in place for the realisation of this ambition. The world seas are in danger of being depleted due to overfishing, pollution and other environmental challenges. Simultaneously, world population growth is putting immense pressure on the need for sources of sustainable food. Aquaculture has assumed significant importance in meeting this demand for food. This demand is set to increase given rising incomes and urbanisation<sup>3</sup>. It is estimated that the world will need around 40 million more tons of seafood as early as 2030<sup>4</sup>, with aquaculture projected to be the prime source<sup>5</sup>. It is also anticipated that by that time, the Asia Pacific region will account for approximately 70% of global demand for fish and seafood products.

Furthermore, China, our base for aquaculture, is the world's largest producer, consumer, importer and exporter of seafood products, accounting for approximately 35% of all global production<sup>6</sup>. We are thus well-placed geographically and operationally to take advantage of this projected demand, operating in key markets in Asia and maintaining a robust distribution network across the globe.

## Progressing on All Fronts

While the past year has seen us put much focus on our new aquaculture business, we remained committed to improving and expanding our existing businesses in terms of product range,

market reach and value-add to our customers. Innovation and creativity have remained the key differentiating factors in pushing the boundaries of the quality of our products, efficiency and productivity in our operations and environmentally sustainable practices.

The current mainstay of our business, our Ornamental Fish segment, remains robust with our export of ornamental fish from Indonesia growing at a healthy rate. Together with our Singapore, Thailand and Malaysia exports, we are poised to become the world's foremost exporter in the very near future.

We introduced new products to our accessories business, such as our LED lights for plants under the AquaZonic® range, continuing to meet customers' needs and remaining relevant in this dynamic marketplace. We are looking into consolidating our operations in China so as to fully integrate the value chain, from R&D all the way to manufacturing and distribution.

## Technology as a Game Changer

As always, technology has played a major part in our ability to improve and expand our operations and maintain the high standards of our products. A key technological application this year has been our RAS (Recirculation Aquaculture System) for the recirculation of water for our Hainan farms and our Aquaculture business. We have further reduced our sea water input by using our HYDROPURE purification technology to treat waste water, which is recirculated and reused. We estimate that we will be able to recirculate 30% of the total water usage, thus saving on water, a major factor in environmental sustainability. We have also started testing our Hydra Prime recirculation system, which will reduce the need to

change water within an enclosed tank and we are working towards running a closed system where all the water used will be recycled.

## Keeping Watch, Looking Ahead

The world economy is anticipated to weaken in the coming year, as global trade slows, trade and investment moderate and financing conditions tighten. Other downside risks include the ongoing China-US trade dispute, rising trade protectionism and geopolitical tensions<sup>7</sup>. Our domestic economy, driven by macroeconomic factors, will be impacted and it is projected that Singapore's economy will moderate in 2019 as compared to 2018<sup>8</sup>. Dampened business sentiment may affect the profitability of our Group.

Despite the uncertain outlook, we believe that we have the right combination of quality products, an innovative and creative mindset, a strategic roadmap and strong business networks which will drive our performance. We are optimistic of opportunities ahead that will enable us to keep on an aggressive growth path.

In closing, I would like to thank our Board of Directors, our business partners, our customers and most of all, our shareholders, for your continued support and belief. I look forward to meeting you at our Annual General Meeting.

**Kenny The Fish**  
Executive Chairman and  
Managing Director

<sup>1</sup> Businesswire. "Global aquaculture market 2017-2022: Market expected to reach \$219 billion – research and markets."

<sup>2</sup> Food and Agriculture Organization of the United Nations. "The State of World Fisheries and Aquaculture 2018."

<sup>3</sup> 2014-2015 Global Food Policy Report.

<sup>4</sup> Project Earth. "Aquaculture, the fastest-growing food sector in the world, still has a long way to go."

<sup>5</sup> The World Bank. "Sustainable Aquaculture."

<sup>6</sup> Businesswire. "Study of China's seafood market: The world's largest producer, consumer, importer, and exporter of seafood products and accounts for approximately 35% of all global production – research and markets."

<sup>7</sup> The World Bank. "Global economic prospects. The turning of the tide?"

<sup>8</sup> Ministry of Trade and Industry. "MTI forecasts GDP to grow by '3.0 to 3.5 per cent' in 2018 and '1.5 to 3.5 per cent' in 2019."

# 主席的话

各位朋友：

我很高兴地向各位汇报仟湖（或“集团”）在今年里所取得的进展。2018年又是令人振奋的一年。近几年，我们制定了集团的长期发展策略，包括科技创新、提高自动化水平、推出新产品以及水族器材业务能继续保有市场竞争力并确保集团能取得可持续性的发展。目前，我们观赏鱼业务的发展和盈利依然稳定并仍具有极大的增长潜力。为了使仟湖的整体业务能有所提升，我们已于2017年开始涉足水产养殖业务。该年初，我们在中国海南省启动了第一个养殖石斑鱼苗的项目。接着，我们又同一区域开展了第二个项目从事食用鱼及其他海产品的进出口业务。我很欣慰地告知这两个水产项目都取得了良好的表现，这也是今年集团业绩的一大亮点！

## 秀色可餐，赏心悦目，从心出发

长期以来，仟湖观赏鱼的高品质已获得全球业者的认可。我们多年坚持不懈的努力，研发了独有的先进过滤技术和优质的鱼饲料也促使仟湖在观赏鱼行业中能占有领先的地位。在2016年，当我们决定迈入水产养殖业时，就运用了这些积累的知识养殖不含抗生素的食用鱼。尽管捕捞数量保持相对稳定，但水产养殖业的食用鱼供应量增速惊人。根据美国商业资讯的数据，水产养殖业的价值估计为176亿4500万美元，占世界食用鱼市场的47%。这股强劲的增长趋势对刚开启水产养殖业的仟湖意味着极大的发展潜力，尤其是消费者对可持续、营养丰富、环保和食品安全等方面的需求正在不断地提升中。当下，我们面临的挑战是要如何将我们在观赏鱼和其他业务所取得的成绩复制在水产养殖业中。俗话说，好的开始是成功的一半，我们对仟湖在水产养殖业所能取得的成果深具信心。

## 完美搭配 — 成功地从观赏鱼延伸到食用鱼

自成立以来，我们的两个水产养殖场已经开始为集团的业绩增添效益。今年7月，我们更开始饲养龙虾苗。第二个养殖场也于6月开始出口业务，将活海产出口到新加坡、马来西亚、越南和泰国。另外，我们也已经出口大理石虎鱼到新加坡和马来西亚。目前，我们正逐步增加出口海产鱼类的品种，如金鲳鱼和砂虾虎，到更多的国家。

目前，我们正专注确保第一个养殖场的鱼苗供应量和质量能保持平稳，并逐步启动第二个养殖场的食用鱼和其他海产品的进出口业务。虽然我们的水产养殖业务还处于萌芽阶段，但我们已经着手相关业务的拓展计划。具体而言，我们会积极地寻觅具战略性的合作伙伴以进一步伸展我们的水产养殖业的价值链。仟湖的发展蓝图是能够完整覆盖水产养殖业的各个阶段，从生产幼虫、育苗到长成品。

## 游向更远的新领域

我们最终的目标是将水产养殖业务的规模扩大至能够供应中国消费市场以外的更多国家，并致力将水产养殖业务打造成为集团的主要销售来源。这看似一项艰巨的任务，但我们已整装待发地朝着新的目标迈进。由于过度捕捞、污染和面对各种环境挑战，世界海洋正面临枯竭的威胁。与此同时，世界人口的逐渐增长也给持续性食物源带来巨大的压力。这促使水产养殖在满足人们对持续性食物源的需求发挥了重大的作用。有鉴于个人收入和城市化水平的不断提高，因此对食物源的需求也将会相对增加<sup>3</sup>。据估计，到2030年，全球将消耗至少约4000万吨的海产品，而水产养殖预计将会是其主要来源。预计届时，亚太地区将会占全球鱼类和海鲜品需求的约70%。

此外，我们水产养殖业务的基地——中国——是现今海产品产量、消费、进出口的最大国，约占全球总产量的35%。因此，我们的水产养殖业务处于的优越地理位置也给予了它运营上的优势。我们将以中国为中心，在亚洲的关键市场开展业务，并在全球建立强大的分销网络。

## 全方位稳健挺进

尽管在2018年里，我们把较多的精力放在崭新的水产养殖业务上，我们仍旧不断地努力提升和推动现有的业务，包括增加产品种类、开展市场涵盖范围和提供更多客户的增值服务。创新和创意一直是推动与区别仟湖的产品质量、提升营运与生产率与实践环境永续性的关键因素。

仟湖的主营观赏鱼业务在印度尼西亚的出口业务秉持着强劲增长的势头下仍在强健增长。加上集团在新加坡、泰国和马来西亚的出口枢纽业务，正逐步实现仟湖成为世界最大的观赏鱼出口商的愿景。

在水族器材业务方面，我们紧随市场的变化并推出了多项新产品以满足客户的需求。例如专为水族植物所研发的Aqua Zonic系列的一款发光二极管灯(简称LED)。目前，我们正在探讨整合仟湖在中国的水族器材业务以便更有效地将我们的运作，包括研发、生产及分销，融入整体的价值链中。

## 引用新科技改善作业方式

一直以来，仟湖不断地引用新科技以改进和提升运作效率和保持产品的高质量。其中一个关键技术应用是仟湖独有的养殖循环水过滤系统（“Recirculation Aquaculture System”或简称“RAS”）。目前，这项技术正用于我们设在中国海南的水产养殖场

和我们的水产养殖业务。融入自家研发的艾洁净水科技（“HYDROPURE”）的RAS系统能够将水重新导回水箱循环使用，在改善水质的同时也能有效地减少约30%的用水量，从而节约用水，也是环境可持续性的主要因素之一。我们也开始测试新研发的Hydra Prime循环水过滤系统。Hydra Prime循环水过滤系统能减少水箱内更换水的次数。我们正朝向建立一套封闭式系统使所有的用水都能循环使用。

## 向前看，展望未来

接下来，世界经济预料在全球贸易迟缓，加上贸易与投资平和以及金融条件紧缩的情况下将呈现疲弱。其他隐忧包括美国和中国之间爆发的贸易战，不断提升的贸易保护主义和日益紧张的地缘政治。新加坡的国内经济即会受到宏观经济波及，估计与2018年相比，集团2019年的经济成长也会适度的放缓。低迷的经商氛围也可能影响集团的盈利。

纵然经济前景不尽明朗，我们相信仟湖拥有的优质产品、创新和创意性思维、具策略性的发展蓝图和强大的业务网络，将持续地确保我们的业绩能有稳健的增长。我们对未来的发展商机抱乐观态度，并积极进取地步向成长道路。

最后，我要感谢我们的董事们、所有的股东、合作伙伴、客户和全体员工。感谢你们对仟湖一路走来的绝对支持与信任，期待在常年股东大会上与大家会面。

叶金利

执行主席兼总裁