



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 2016

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QIAN HU CORPORATION LIMITED
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FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT OR LOSS**
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group			Group		
		3 months ended 31 Dec		Change %	Financial year ended 31 Dec		Change %
		2016 \$'000	2015 \$'000		2016 \$'000	2015 \$'000	
Revenue		22,112	19,335	14.4	80,470	77,970	3.2
Cost of sales		(16,058)	(13,771)	16.6	(56,731)	(55,806)	1.7
Gross profit		6,054	5,564	8.8	23,739	22,164	7.1
Other income	i	135	65	107.7	301	217	38.7
		6,189	5,629	9.9	24,040	22,381	7.4
Selling & distribution expenses	ii	(405)	(490)	(17.3)	(1,435)	(1,521)	(5.7)
General & administrative expenses	ii	(5,816)	(4,978)	16.8	(22,255)	(19,969)	11.4
Results from operating activities	iii	(32)	161	(119.9)	350	891	(60.7)
Finance income	iv	3	2	50.0	9	6	50.0
Finance costs	iv	(79)	(82)	(3.7)	(339)	(302)	12.3
		(108)	81	(233.3)	20	595	(96.6)
Share of losses of associate		(20)	(73)	(72.6)	(30)	(46)	(34.8)
(Loss) Profit before tax		(128)	8	NM	(10)	549	(101.8)
Tax credit (expense)	v	220	(129)	270.5	332	(277)	219.9
Profit (Loss) for the period/year		92	(121)	176.0	322	272	18.4
Profit (Loss) attributable to:							
Owners of the Company		36	(198)	118.2	68	19	257.9
Non-controlling interests		56	77	(27.3)	254	253	0.4
Profit (Loss) for the period/year		92	(121)	176.0	322	272	18.4
Gross profit margin		27.4%	28.8%		29.5%	28.4%	
Net profit margin		0.4%	(0.6%)		0.4%	0.3%	
Effective tax rate		-	-		NM	57.2%	
Return on equity		-	-		0.1%	0.0%	

NM: Not Meaningful



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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<u>Group</u>			<u>Group</u>		
	<u>3 months ended 31 Dec</u>		<u>Change</u>	<u>Financial year ended 31 Dec</u>		<u>Change</u>
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
	\$'000	\$'000	%	\$'000	\$'000	%
Profit (Loss) for the period/year	92	(121)	176.0	322	272	18.4
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations, net of tax	100	(53)	288.7	91	(485)	118.8
Other comprehensive income for the period/year, net of tax	100	(53)	288.7	91	(485)	118.8
Total comprehensive income for the period/year	192	(174)	210.3	413	(213)	293.9
Total comprehensive income attributable to:						
Owners of the Company	94	(245)	138.4	100	(421)	123.8
Non-controlling interests	98	71	38.0	313	208	50.5
Total comprehensive income for the period/year	192	(174)	210.3	413	(213)	293.9

Notes to Statement of Profit or Loss

(i) **Other income**

Other income comprises:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 31 Dec</u>		<u>Financial year ended 31 Dec</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Gain on disposal of				
- property, plant and equipment	18	15	79	47
- brooder stocks	-	-	1	-
Sundry income	117	50	221	170
	135	65	301	217

The increase in sundry income in the 4th quarter of 2016 and for the year ended 31 December 2016 was mainly due to rental income received on the investment property.



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

(ii) **Selling & distribution expenses**

General & administrative expenses

The net increase in overall operating expenses by approximately \$0.8 million or 13.8% in the current quarter as compared to its corresponding period in 2015 was mainly due to:-

- expenses incurred by our newly acquired subsidiary in Guangzhou;
- higher depreciation charge incurred as a result of the increase in property, plant and equipment;
- higher personnel expenses as a result of the increase in headcount and annual salary revision; and
- broad-spectrum increase in operating costs (e.g utilities costs) as a result of elevated inflationary pressure.

For the year ended 31 December 2016, there was a marginal exchange loss registered as compared to an exchange gain of approximately \$0.5 million registered in FY 2015. Coupled with the expenses incurred by the newly acquired subsidiary in Guangzhou, as well as the increase in depreciation charge, personnel expenses and other operating costs as mentioned above, these have resulted in an increase in operating expenses by approximately \$2.2 million or 10.2% as compared to FY 2015.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 31 Dec	3 months ended 31 Dec	Financial year ended 31 Dec	Financial year ended 31 Dec
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	27	21	112	105
- other auditors	11	9	19	16
Non-audit fees				
- other auditors	7	11	21	25
Directors' fees				
- directors of the Company	30	25	105	90
Directors' remuneration				
- directors of the Company	284	281	1,135	1,126
- directors of subsidiaries	89	86	352	381
Amortisation of intangible asset	4	-	4	-
Bad trade receivables written off (recovered)	9	(1)	44	43
Depreciation of				
- property, plant and equipment	421	361	1,667	1,427
- brooder stocks	46	47	187	190
Allowance for (Write back of allowance for)				
- doubtful trade receivables	39	16	178	182
- inventory obsolescence	-	-	(17)	(50)
Operating lease expenses	317	262	1,116	1,102
Personnel expenses *	3,774	2,790	13,822	12,589
Exchange (gain) loss, net	(167)	39	15	(495)
Change in fair value less estimated point-of-sale costs of breeder stocks	-	-	-	17

* Include directors' remuneration.



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

(iv) **Finance income**

Finance costs

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Interest expense				
- bank loans and overdrafts	70	68	289	244
- bills payable to banks	8	5	29	20
- finance lease liabilities	1	9	21	38
	<u>79</u>	<u>82</u>	<u>339</u>	<u>302</u>
Interest income				
- bank deposits	(3)	(2)	(9)	(6)
Net finance costs	<u>76</u>	<u>80</u>	<u>330</u>	<u>296</u>

The increase in net finance costs by approximately 11.5% for the year ended 31 December 2016 as compared to its corresponding period in 2015 was mainly due to higher interest rates charged by the financial institutions as well as an increase in the amount of bank borrowings outstanding during the current reporting period.

(v) **Tax (credit) expense**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current tax expense				
- current year	(70)	131	103	314
- over provision in respect of prior years	29	(20)	(56)	(55)
Deferred tax				
- origination and reversal of temporary differences	1	18	1	18
- over provision in respect of prior years	(180)	-	(380)	-
	<u>(220)</u>	<u>129</u>	<u>(332)</u>	<u>277</u>

Despite the overall losses before tax registered by the Group, the current tax expense was in relation to the profitable entities within the Group.

The effective tax rate registered for the 4th quarter of 2016 and for the year ended 31 December 2016 was 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 within the Group and the varying statutory tax rates of the different countries in which the Group operates.



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

	Note	Group		Company	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
		\$	\$	\$	\$
Assets					
Property, plant and equipment	i	8,749,943	8,076,128	5,348,168	5,377,236
Investment property	ii	1,585,941	-	-	-
Intangible assets	iii	889,380	343,048	889,380	343,048
Brooder stocks	iv	8,179,749	8,365,583	8,179,749	8,365,583
Investments in subsidiaries	v	-	-	2,380,785	2,295,785
Investment in associate	vi	277,624	307,463	412,600	412,600
Trade and other receivables	vii	9,031,147	-	9,031,147	-
Non-current assets		28,713,784	17,092,222	26,241,829	16,794,252
Breeder stocks	viii	66,780	24,780	66,780	24,780
Inventories	ix	15,452,835	15,747,853	6,667,576	7,043,358
Trade receivables	x	17,559,155	25,557,541	10,295,379	19,279,456
Other receivables, deposits and prepayments	xi	6,298,432	8,810,690	3,902,739	6,611,893
Due from					
- subsidiaries (trade)		-	-	6,435,585	6,233,190
- subsidiaries (non-trade)		-	-	2,842,969	1,274,808
- associate (trade)	xii	848,973	811,940	848,973	811,940
Cash and bank balances		8,723,403	7,771,930	5,236,230	4,287,591
Current assets		48,949,578	58,724,734	36,296,231	45,567,016
Total assets		77,663,362	75,816,956	62,538,060	62,361,268
Equity					
Share capital	xiii	30,772,788	30,772,788	30,772,788	30,772,788
Reserves		17,772,591	17,899,904	10,517,769	11,354,087
Equity attributable to owners of the Company		48,545,379	48,672,692	41,290,557	42,126,875
Non-controlling interests		1,948,389	1,635,086	-	-
Total equity		50,493,768	50,307,778	41,290,557	42,126,875
Liabilities					
Loans and borrowings	xiv	364,249	141,535	241,311	824
Deferred tax liabilities		49,703	428,582	-	380,000
Non-current liabilities		413,952	570,117	241,311	380,824
Trade payables	xv	7,442,284	5,968,974	2,679,552	2,268,637
Other payables and accruals	xvi	3,800,647	4,120,667	2,663,923	3,150,899
Due to					
- subsidiaries (trade)		-	-	144,334	208,666
- subsidiaries (non-trade)		-	-	539,832	46,657
Loans and borrowings	xiv	15,205,094	14,427,293	14,771,094	13,971,253
Current tax payable		307,618	422,127	207,457	207,457
Current liabilities		26,755,643	24,939,061	21,006,192	19,853,569
Total liabilities		27,169,595	25,509,178	21,247,503	20,234,393
Total equity and liabilities		77,663,363	75,816,956	62,538,060	62,361,268



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

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Inventory turnover (days)	101	106	80	78
Trade receivables turnover (days)	115	120	150	156
Trade receivables turnover (days) (without GZQH balances)	75	76	82	81
Debt equity ratio	0.54	0.51	0.51	0.48

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) **Property, plant and equipment**

The increase in property, plant and equipment during the financial year was mainly due to an upfront payment of approximately \$620K made for the renewal of the Singapore farm land for a 10-year lease term. In addition, there were capital expenditure incurred for the enhancement of infrastructure and construction work undertaken in Singapore and overseas on our farm facilities.

(ii) **Investment Property**

Investment property relates to a piece of freehold land situated in Batu Pahat (“Property”), which was transferred to the Group as partial settlement of the outstanding amounts due from the purchasers of Kim Kang Aquaculture Sdn Bhd (“Kim Kang”), a former subsidiary of the Group and the advances extended to Kim Kang before its disposal. The cost of the Property was determined based on an independent valuation exercise performed in November 2016.

The Group intends to dispose of the Property for cash consideration. It will also explore the various alternatives in utilising the Property while awaiting for it to be disposed.

(iii) **Intangible assets**

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$	\$	\$	\$
Trademarks/customer acquisition costs	1,471,497	921,497	1,471,497	921,497
Product listing fees	196,153	196,153	196,153	196,153
	<u>1,667,650</u>	<u>1,117,650</u>	<u>1,667,650</u>	<u>1,117,650</u>
Less accumulated amortisation	(778,270)	(774,602)	(778,270)	(774,602)
	<u>889,380</u>	<u>343,048</u>	<u>889,380</u>	<u>343,048</u>



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Notes to Statements of Financial Position (cont'd)

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

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to: -

- acquisition of trademarks rights and existing customer base of certain brands of pet food. Such costs were determined to have indefinite lives and are tested for impairment annually; and
- acquisition of trademarks and formulation rights of certain products during the financial year, which are amortised over 25 years.

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 three years.

(iv) **Brooder stocks**

	Group and Company	
	31 Dec 2016	31 Dec 2015
	\$	\$
Cost		
Balance as at 1 Jan	9,475,000	9,475,000
Additions during the year	2,800,000	-
Disposals during the year	(3,025,000)	-
Balance as at 31 Dec	<u>9,250,000</u>	<u>9,475,000</u>
Accumulated depreciation		
Balance as at 1 Jan	1,109,417	919,918
Depreciation charge for the year	187,254	189,499
Disposals during the year	(226,420)	-
Balance as at 31 Dec	<u>1,070,251</u>	<u>1,109,417</u>
Net carrying value		
Balance as at 31 Dec	<u>8,179,749</u>	<u>8,365,583</u>

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, if any.



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Notes to Statements of Financial Position (cont'd)

(v) **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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	%	%	\$	\$
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	-	-
Qian Hu Development Sdn Bhd (Malaysia)	100 #	-	16,000	-
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	100	126,170	126,170
Guangzhou Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100 ^	-	69,000	-
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
			2,380,785	2,295,785

Incorporated in FY 2016 with an authorised and paid up capital of RM400,000 and RM50,000 respectively.

^ Acquired 100% equity interest in FY 2016 with a cash consideration of \$69,000.

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

On 7 December 2016, the Company incorporated a 51% owned subsidiary, Qian Hu Aquaculture (Hainan) Co., Ltd, with a registered capital of Rmb 6 million. As at 31 December 2016, the Company has not made any capital contribution into this subsidiary.



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Notes to Statements of Financial Position (cont'd)

(vi) **Investment in associate**

The details of associate is as follows:

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$	\$	\$	\$
Unquoted equity investment	812,600	812,600	812,600	812,600
Less				
Share of post-acquisition losses	(313,197)	(283,358)	-	-
Impairment loss on investment	(221,779)	(221,779)	(400,000)	(400,000)
	277,624	307,463	412,600	412,600

Name of associate	Principal activities	Effective equity held by the Group	
		31 Dec 2016	31 Dec 2015
		%	%
Arcadia Products PLC (United Kingdom)	Manufacture and distribution of aquarium lamps	20	20

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.

(vii) **Trade and other receivables**

Trade and other receivables (non-current) as at 31 December 2016 relates to amount due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (“GZQH”), a former subsidiary of the Group. Based on a repayment arrangement entered into with GZQH during the financial year, \$0.8 million of the receivables as at 31 December 2016 is due on 31 December 2017 and the remaining amount of \$9.0 million is not expected to be repaid within the next 12 months.

The recoverability of the amount due from GZQH of approximately \$7.7 million is guaranteed by a major shareholder of the Company and a director of the Company.

(viii) **Breeder stocks**

	Group and Company	
	31 Dec 2016	31 Dec 2015
	\$	\$
Balance as at 1 Jan	24,780	44,440
Change in fair value less estimated point-of-sale costs	-	(17,200)
Decreases due to sales	(458,310)	(497,970)
Net increase due to births	500,310	495,510
Balance as at 31 Dec	66,780	24,780



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Notes to Statements of Financial Position (cont'd)

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 increase in breeder stocks balance as at 31 December 2016 was mainly due to difference in quantity, valuation and product mix in relation to the breeder stocks held as at both reporting dates.

(ix) **Inventories**

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$	\$	\$	\$
Fish	2,846,279	3,156,929	2,038,362	2,324,237
Accessories	12,115,850	12,122,893	4,937,214	5,044,121
Plastics products - raw materials	284,783	363,295	-	-
Plastics products - finished goods	607,713	523,526	-	-
	<u>15,854,625</u>	<u>16,166,643</u>	<u>6,975,576</u>	<u>7,368,358</u>
Less allowance for inventory obsolescence	(401,790)	(418,790)	(308,000)	(325,000)
	<u>15,452,835</u>	<u>15,747,853</u>	<u>6,667,576</u>	<u>7,043,358</u>

(x) **Trade receivables**

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$	\$	\$	\$
Trade receivables	19,936,636	27,917,547	12,584,669	21,562,976
Less allowance for doubtful trade receivables	(2,377,481)	(2,360,006)	(2,289,290)	(2,283,520)
	<u>17,559,155</u>	<u>25,557,541</u>	<u>10,295,379</u>	<u>19,279,456</u>

The reduction in trade receivables balance as at 31 December 2016 was mainly due to the reclassification of amount due from GZQH, a former subsidiary of the Group, of approximately \$7.7 million to non-current trade and other receivables (see note (vii) above).

The trade receivables balances turnover days have remained relatively consistent for both reporting periods.



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Notes to Statements of Financial Position (cont'd)

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

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$	\$	\$	\$
Other receivables *	2,956,216	3,940,304	2,827,386	3,842,681
Deposits	276,012	423,534	45,182	67,385
Prepayments	1,165,334	1,185,774	170,586	213,473
Advances to suppliers	636,309	2,179,444	595,821	2,109,301
Deposits for purchase of property, plant and equipment	1,212,651	1,048,863	263,764	379,053
Tax recoverable	51,910	32,771	-	-
	6,298,432	8,810,690	3,902,739	6,611,893

* Other receivables as at 31 December 2016 consist of the outstanding amounts due from the purchasers of Kim Kang of approximately \$2.76 million (31/12/15: \$3.72 million), which was overdue. It has been agreed that the overdue amounts will be settled within a maximum of 24 months commencing 1 January 2017. As such, we do not foresee any collectability issue in relation to the receivables past due.

Other than the reduction in amount due from the purchasers of Kim Kang of approximately \$1 million as mentioned above, the overall decrease in the amount of other receivables, deposits and prepayments balances as at 31 December 2016 was also a result of the reclassification of advances to GZQH of approximately \$1.3 million to non-current trade and other receivables (see note (vii) above).

The above decrease was partially offset by the increase in deposits for purchase of property, plant and equipment, mainly in relation to the infrastructure construction work undertaken by our Thailand and Indonesia subsidiaries. These amounts will be capitalised as property, plant and equipment upon the completion of the construction work.

(xii) **Due from associate**

The increase in amount due from associate as at 31 December 2016 was mainly due to higher trade activities with the associate in the current quarter.



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Notes to Statements of Financial Position (cont'd)

(xiii) **Share capital**

	Number of shares	\$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2016 and 31 Dec 2016	<u>113,526,467</u>	<u>30,772,788</u>

There was no movement in the issued and paid-up capital of the Company since 31 December 2015.

There were no outstanding convertibles as at 31 December 2016 (31/12/2015: Nil).

The Company did not hold any treasury shares as at 31 December 2016 (31/12/2015: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the financial year ended 31 December 2016.

(xiv) **Loans and borrowings**

	<u>Group</u>		<u>Company</u>	
	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>
	\$	\$	\$	\$
Non-current liabilities				
Finance lease liabilities	364,249	141,535	241,311	824
	<u>364,249</u>	<u>141,535</u>	<u>241,311</u>	<u>824</u>
Current liabilities				
Term loans				
- short-term (unsecured)	14,500,000	13,500,000	14,500,000	13,500,000
- long-term (secured)	142,208	212,160	-	-
Bills payable to banks (unsecured)	353,721	580,308	196,696	452,922
Finance lease liabilities	209,165	134,825	74,398	18,331
	<u>15,205,094</u>	<u>14,427,293</u>	<u>14,771,094</u>	<u>13,971,253</u>
Total borrowings	<u>15,569,343</u>	<u>14,568,828</u>	<u>15,012,405</u>	<u>13,972,077</u>

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2015 and 2016.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.69% to 2.00 % (31/12/2015: 1.875% to 2.30%) per annum and are repayable within the next 12 months from the reporting date.



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Notes to Statements of Financial Position (cont'd)

(xiv) Loans and borrowings (cont'd)

The long-term loan is a bank loan of Baht 8.0 million, drawdown by a subsidiary, secured by a mortgage on the subsidiary's freehold land and is callable on demand. It bears interest at 6.75% (31/12/2015: 6.75%) per annum and is payable in 50 monthly instalments commencing September 2014.

The weighted average effective interest rates per annum relating to bills payable to banks of the Group and of the Company are 5.09% (31/12/2015: 5.65%) and 5.25% (31/12/2015: 5.25%) respectively. These bills mature within one to four months from the reporting date.

The increase in finance lease liabilities as at 31 December 2016 was due to the purchase of seven motor vehicles under hire purchase arrangements during the current financial year.

As at 31 December 2016, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$1.7 million (31/12/2015: \$1.7 million).

(xv) Trade payables

The increase in trade payables as at 31 December 2016 was due to the inclusion of trade payables balance from Guangzhou Qian Hu Aquarium and Pets Co., Ltd ("GZAP"), following its acquisition in FY 2016, coupled with the extended credit terms granted by our regular suppliers for purchases made during the financial period.

(xvi) Other payables and accruals

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$	\$	\$	\$
Accrued operating expenses	529,817	400,843	451,629	316,555
Accrued staff costs	1,239,982	1,198,177	807,707	771,872
Other payables	1,655,058	2,054,809	1,291,925	1,840,129
Advance received from customers	375,790	466,838	112,662	222,343
	<u>3,800,647</u>	<u>4,120,667</u>	<u>2,663,923</u>	<u>3,150,899</u>

The reduction in other payables and accruals as at 31 December 2016 was mainly due to the decrease in payments due to non-trade suppliers.



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1(c) **STATEMENT OF CASH FLOWS**
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Group	
	3 months ended 31 Dec 2016	2015	Financial year ended 31 Dec 2016	2015
	\$	\$	\$	\$
Cash flows from operating activities				
(Loss) Profit before tax	(128,609)	8,013	(10,168)	549,462
Adjustments for:				
Bad trade receivables written off (recovered)	9,051	(1,484)	44,334	43,402
Depreciation of				
- property, plant and equipment	420,908	360,919	1,666,899	1,427,321
- brooder stocks	46,250	47,374	187,254	189,499
Amortisation of intangible asset	3,668	-	3,668	-
Gain on disposal of				
- property, plant and equipment	(17,309)	(14,828)	(78,310)	(46,953)
- brooder stock	-	-	(1,420)	-
Property, plant and equipment written off	112	-	435	-
Change in fair value less estimated				
point-of-sale costs of breeder stocks	-	-	-	17,200
Allowance for (Write back of allowance for)				
- doubtful trade receivables	39,201	15,885	177,817	181,522
- inventory obsolescence	-	-	(17,000)	(50,000)
Share of losses of associate	19,471	73,039	29,839	45,649
Interest expense	79,543	81,602	339,429	301,991
Interest income	(3,348)	(1,769)	(9,347)	(6,044)
Operating profit before working capital changes	468,938	568,751	2,333,430	2,653,049
(Increase) Decrease in:				
Inventories	918,467	1,816,492	769,812	731,479
Breeder stocks	(30,240)	810	(42,000)	2,460
Trade receivables	51,766	(1,354,716)	(211,686)	(105,823)
Other receivables, deposits and prepayments	306,488	(529,560)	163,787	(881,904)
Due from associate (trade)	(98,790)	306,095	(37,033)	(160,359)
Increase (Decrease) in:				
Trade payables	511,735	(1,168,522)	833,077	(333,305)
Bills payable to banks	(275,662)	233,777	(225,415)	180,537
Other payables and accruals	14,502	27,232	(323,601)	(271,780)
Cash generated from (used in) operating activities	1,867,204	(99,641)	3,260,371	1,814,354
Tax refund (paid)	39,801	(15,801)	(184,622)	(276,166)
Net cash from (used in) operating activities	1,907,005	(115,442)	3,075,749	1,538,188
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(850,387)	(438,295)	(1,854,627)	(1,719,423)
- intangible asset	(550,000)	-	(550,000)	-
- investment property	(49,941)	-	(49,941)	-
Proceeds from disposal of				
property, plant and equipment	18,090	15,044	87,842	49,354
Acquisition of a subsidiary, net of cash and				
valents (Note i)	7,947	-	7,947	-
Interest received	3,348	1,769	9,347	6,044
Net cash used in investing activities	(1,420,943)	(421,482)	(2,349,432)	(1,664,025)



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1(c) **STATEMENT OF CASH FLOWS**
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 31 Dec</u>	<u>3 months ended 31 Dec</u>	<u>Financial year ended 31 Dec</u>	<u>Financial year ended 31 Dec</u>
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash flows from financing activities				
Drawdown of bank term loans	1,000,000	500,000	1,000,000	500,000
Repayment of				
- finance lease liabilities	(30,620)	(37,134)	(146,474)	(145,118)
- bank term loans	(20,832)	(18,432)	(77,568)	(74,880)
Payment of dividends to				
- owners of the Company	-	-	(227,052)	(454,106)
- non-controlling interests	-	-	-	(78,000)
Interest paid	(78,089)	(79,979)	(338,476)	(299,882)
Net cash from (used in) financing activities	870,459	364,455	210,430	(551,986)
Net increase (decrease) in cash and cash equivalents	1,356,521	(172,469)	936,747	(677,823)
Cash and cash equivalents at beginning of period/year	7,330,878	7,976,416	7,771,930	8,557,302
Effect of exchange rate changes on cash balances held in foreign currencies	36,004	(32,017)	14,726	(107,549)
Cash and cash equivalents at end of period/year	8,723,403	7,771,930	8,723,403	7,771,930

Notes to Statement of Cash Flows

- (i) The attributable assets and liabilities of the subsidiary acquired and the cash flow effect of the acquisition are set out as follows:

	<u>Group</u>	
	<u>Financial year ended 31 Dec</u>	<u>Financial year ended 31 Dec</u>
	2016	2015
	\$	\$
Property, plant and equipment	2,965	-
Inventories	513,993	-
Trade and other receivables	246,873	-
Cash and cash equivalents	76,947	-
Trade and other payables	(771,003)	-
Total identifiable net assets	69,775	-
Less:		
Goodwill on acquisition	(775)	-
Total purchase consideration	69,000	-
Less:		
Cash and cash equivalents acquired	(76,947)	-
Net cash inflow from acquisition of subsidiary	(7,947)	-



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1(c) **STATEMENT OF CASH FLOWS**
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

Notes to Statement of Cash Flows (cont'd)

- (ii) Overall, our cash and cash equivalents increased by approximately \$1.4 million and \$0.9 million from a quarter and a year ago respectively.

Despite registering losses in the current quarter and for the year ended 31 December 2016, the improvement in the Group's **net cash from operating activities** as compared to its corresponding periods in 2015 was due to lower inventory purchased and our ability to better manage our cash flow by extending our credit terms with our regular suppliers for purchases made.

Net cash used in investing activities was mainly related to upfront payment of approximately \$620K made for the renewal of the land leases in Singapore, as well as capital expenditure incurred for on-going enhancement to the infrastructure and farm facilities in Singapore and overseas. In addition, there was \$550K incurred in relation to the acquisition of the trademarks and formulation rights of certain products in the 4th quarter of 2016.

Net cash from financing activities in FY 2016 was related to cash proceeds received from banks borrowings which were mainly utilised for the settlement of finance lease liabilities on a monthly basis and the servicing of interest payments. In addition, there was payment of dividends made to the shareholders of the Company in April 2016.

The net cash from financing activities in the 4th quarter of 2016 was mainly related to proceeds from the additional drawdown of bank term loans during the current quarter.



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

Group	Attributable to owners of the Company				Non-Controlling interests	Total Equity
	Share capital	Retained earnings	Translation reserve	Total		
	\$	\$	\$	\$	\$	\$
Balance at 1 Jan 2015	30,772,788	19,404,357	(629,024)	49,548,121	1,505,172	51,053,293
Total comprehensive income for the year						
Profit for the year	-	18,762	-	18,762	252,806	271,568
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	(440,085)	(440,085)	(44,892)	(484,977)
Total other comprehensive income	-	-	(440,085)	(440,085)	(44,892)	(484,977)
Total comprehensive income for the year	-	18,762	(440,085)	(421,323)	207,914	(213,409)
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of first and final dividend	-	(454,106)	-	(454,106)	-	(454,106)
Payment of dividend to non-controlling interests	-	-	-	-	(78,000)	(78,000)
Total transactions with owners	-	(454,106)	-	(454,106)	(78,000)	(532,106)
Balance at 31 Dec 2015	30,772,788	18,969,013	(1,069,109)	48,672,692	1,635,086	50,307,778
Total comprehensive income for the year						
Profit for the year	-	67,821	-	67,821	254,364	322,185
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	31,918	31,918	58,939	90,857
Total other comprehensive income	-	-	31,918	31,918	58,939	90,857
Total comprehensive income for the year	-	67,821	31,918	99,739	313,303	413,042
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of first and final dividend	-	(227,052)	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)	-	(227,052)
Balance at 31 Dec 2016	30,772,788	18,809,782	(1,037,191)	48,545,379	1,948,389	50,493,768



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

Company	Share capital \$	Retained earnings \$	Translation reserve \$	Total \$
Balance at 1 Jan 2015	30,772,788	11,617,086	(35,388)	42,354,486
Total comprehensive income for the year				
Profit for the year	-	232,934	-	232,934
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	(6,439)	(6,439)
Total other comprehensive income	-	-	(6,439)	(6,439)
Total comprehensive income for the year	-	232,934	(6,439)	226,495
Transactions with owners, recognised directly in equity				
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 2015	30,772,788	11,395,914	(41,827)	42,126,875
Total comprehensive income for the year				
Loss for the year	-	(631,842)	-	(631,842)
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	22,576	22,576
Total other comprehensive income	-	-	22,576	22,576
Total comprehensive income for the year	-	(631,842)	22,576	(609,266)
Transactions with owners, recognised directly in equity				
Distributions to owners				
Payment of first and final dividend	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)
Balance at 31 Dec 2016	30,772,788	10,537,020	(19,251)	41,290,557



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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 2015.

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 2016:

- Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Improvements to FRS (November 2014)
- Amendments to FRS 1 *Presentation of Financial Statements – Disclosure Initiatives*

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 (LOSS) PER ORDINARY SHARE

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 31 Dec</u>		<u>Financial year ended 31 Dec</u>	
	2016	2015	2016	2015
Earnings (Loss) Per Ordinary Share (based on consolidated net profit (loss) attributable to owners)				
- on weighted average number of ordinary shares on issue (cents)	0.03	(0.17)	0.06	0.02
- on a fully diluted basis (cents)	0.03	(0.17)	0.06	0.02

Earnings (Loss) per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue of 113,526,467 for both periods.

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



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7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	44.48	44.31	36.37	37.11

Net asset value per share for both periods is computed based on the number of shares in issue of 113,526,467.

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

Financial year 2016 vs financial year 2015

	<u>Group</u>		<u>Increase</u>	
	<u>Financial year ended 31 Dec</u>		<u>(Decrease)</u>	
	<u>2016</u>	<u>2015</u>	<u>\$'000</u>	<u>%</u>
	\$'000	\$'000	\$'000	%
Fish	31,678	31,372	306	1.0
Accessories	37,649	35,399	2,250	6.4
Plastics	11,143	11,199	(56)	(0.5)
	<u>80,470</u>	<u>77,970</u>	<u>2,500</u>	<u>3.2</u>

For the year ended 31 December 2016, the ornamental fish and accessories activities continued to be our core business segments, which together accounted for approximately 86.2% of the total revenue. Our revenue increased by approximately \$2.5 million or 3.2% from \$78.0 million registered in FY 2015 to \$80.5 million in FY 2016.

On a geographical basis, revenue from Singapore and overseas grew by approximately 3.4% and 3.1% respectively in FY 2016 as compared to FY 2015.

4Q 2016 vs 4Q 2015

	<u>Group</u>		<u>Increase</u>	
	<u>4Q</u>	<u>4Q</u>		
	<u>2016</u>	<u>2015</u>	<u>\$'000</u>	<u>%</u>
	\$'000	\$'000	\$'000	%
Fish	7,974	7,695	279	3.6
Accessories	11,215	8,831	2,384	27.0
Plastics	2,923	2,809	114	4.1
	<u>22,112</u>	<u>19,335</u>	<u>2,777</u>	<u>14.4</u>

With the surge in revenue contribution from our accessories business in the 4th quarter of 2016, our overall revenue increased by approximately \$2.8 million or 14.4% in the current quarter as compared to its corresponding period in 2015.



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

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

4Q 2016 vs 4Q 2015 (cont'd)

Fish

During the current quarter, although the purchasing sentiments from the challenging European markets have retrieved gradually, it has not been restored completely. We have since strived to sustain our export of ornamental fish by diversifying to more customers and more countries around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia, which have given rise to the improved ornamental fish revenue by approximately \$0.3 million or 3.6% in the current quarter as compared to its corresponding period in 2015.

Accessories

With our accessories business being more export-oriented, we managed 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 and Thailand have also managed to continue expanding their distribution network in those countries to capture more sales. Coupled with the sales generated from our newly acquired subsidiary in Guangzhou, we saw a leap in revenue contribution in the current quarter from this business segment, which was approximately \$2.4 million or 27.0% higher than its corresponding period in 2015.

Plastics

With the enlarged customer base and product mix, our revenue contribution from our plastic activities managed to register a steady increase of \$0.1 million or 4.1% in the 4th quarter of 2016 as compared to its corresponding period in 2015.



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

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

4Q 2016 vs 3Q 2016

	Group		Increase	
	4Q	3Q		
	2016	2016	\$'000	%
	\$'000	\$'000		
Fish	7,974	7,647	327	4.3
Accessories	11,215	9,184	2,031	22.1
Plastics	2,923	2,816	107	3.8
	<u>22,112</u>	<u>19,647</u>	<u>2,465</u>	<u>12.5</u>

Our revenue increased significantly by \$2.5 million or 12.5% from approximately \$19.6 million in 3rd quarter 2016 to \$22.1 million in the 4th quarter of 2016. All business segment registered growth in revenue during the current quarter as compared to the previous quarter.

Fish

During the 3rd quarter of 2016, 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, which would result in a lower ornamental fish revenue contribution. 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

The increase in accessories revenue quarter-on-quarter was mainly a result of the revenue contribution from our newly acquired subsidiary in Guangzhou during the 4th quarter of 2016 as mentioned above.

Plastics

Revenue from our plastics activities continued its growth momentum into the 4th quarter of 2016. With the gradual resumption in demand for our plastic products after a temporary reduction as a result of the softening of demand from the domestic market since the beginning of 2016, the revenue from our plastic activities has increased by approximately \$0.1 million or 3.8% to \$2.9 million as compared to the previous quarter.

(b) **Profitability**

Financial year 2016 vs financial year 2015

	Group		Increase	
	Financial year ended 31 Dec			
	2016	2015	(Decrease)	
	\$'000	\$'000	\$'000	%
Fish	555	790	(235)	(29.7)
Accessories	764	1,146	(382)	(33.3)
Plastics	851	723	128	17.7
Unallocated corporate expenses	(2,180)	(2,110)	(70)	(3.3)
	<u>(10)</u>	<u>549</u>	<u>(559)</u>	<u>(101.8)</u>



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

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

Financial year 2016 vs financial year 2015 (cont'd)

Despite the improved revenue contribution registered, we incurred a marginal loss before tax for the year ended 31 December 2016 mainly due to the reduction in profits generated from our core businesses. Nonetheless, our profit for the year attributable to the owners of the Company was lifted by a tax credit to \$68K, which was relatively higher than that of the previous financial year.

4Q 2016 vs 4Q 2015

	Group		Increase	
	4Q 2016	4Q 2015	(Decrease)	
	\$'000	\$'000	\$'000	%
Fish	(58)	76	(134)	(176.3)
Accessories	175	143	32	22.4
Plastics	199	183	16	8.7
Unallocated corporate expenses	(444)	(394)	(50)	(12.7)
	(128)	8	(136)	(1,700.0)

Despite the improvement in profit contribution from our accessories and plastics business, the reduction in operating profit generated from our ornamental fish segment has slashed the profitability registered in the 4th quarter of 2016 by approximately \$0.1 million as compared to its corresponding period in 2015.

Fish

The shrink in operating profit despite an increase in revenue registered by the ornamental fish business in the 4th quarter of 2016 as compared to its corresponding period in 2015 was a result of the difference in sales mix and the gradual escalation in operating costs. The reliance and resilient of our ornamental fish export business continued to turn in stable revenue and generate respectable profit margins.

Accessories

Despite the substantial increase in revenue, the flat growth in operating profit of our accessories business in the current quarter as compared to the corresponding period in 2015 was mainly due to our conscientious efforts made to capture more sales of our proprietary brands of innovative products, which had sliced off the profit margin of our accessories business in the current quarter.

In addition, there were initial costs incurred in aligning the business activities of the newly acquired subsidiary in Guangzhou into the operation framework of the Group.

Plastics

Operating profit from our plastic activities remained moderately constant on a year-on-year basis, which is in line with the stable revenue contribution from this business segment.



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

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

4Q 2016 vs 4Q 2015 (cont'd)

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.

4Q 2016 vs 3Q 2016

	Group		Increase (Decrease)	
	4Q 2016	3Q 2016	\$'000	%
Fish	(58)	164	(222)	(135.4)
Accessories	175	274	(99)	(36.1)
Plastics	199	239	(40)	(16.7)
Unallocated corporate expenses	(444)	(584)	140	24.0
	(128)	93	(221)	(237.6)

Fish

As mentioned above, notwithstanding the increase in revenue derived from the ornamental fish activities, the profitability registered by this business segment in the 4th quarter of 2016 was adversely affected by the sales mix and the gradual escalation in operating costs as compared to the previous quarter.

Accessories

The lower profit yielded from our accessories activities in the current quarter as compared to the previous quarter was mainly due to our on-going efforts to capture more sales, coupled with the initial costs incurred in aligning the business activities of the newly acquired subsidiary in Guangzhou into the operation framework of the Group.

Plastics

Despite registering improvement in revenue over the previous quarter, the decrease in operating profit from our plastics activities in the current quarter was mainly due to a slight decline in profit margin as a result of the difference in sales mix recorded in both quarters.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.



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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 cities and 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 cities and 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.

To breed Dragon Fish of the highest value

Staying abreast of market trends that favour Albino variants of the Asian Arowana, we have leveraged on our expertise in genetic breeding of unique Dragon Fish to expand our product offerings to take advantage of market demands.

We started breeding the Albino Silver Arowana which incidentally are more productive than the Golden and Red Arowana varieties. Our expertise and experience in breeding these Albino varieties puts us in a competitive advantage. Moving ahead, we will focus our efforts in breeding more of such Albino species in other varieties. We envisage that these new initiatives, which will gain pace in FY 2017, will improve the profitability of our Dragon Fish business in the years to come.

To establish our “Ocean Free” and “OF” brands as the most recognisable among aquarium accessories brands in Asia

We will focus on building our “Ocean Free” and “OF” brands - the growth boosters for our accessories business segment. Our target is to expand our accessories business to more than 60 cities and countries. The premium brands for aquarium accessories, “Ocean Free” and “OF” continue to develop an exciting pipeline of innovative, proprietary products such as cutting-edge filtration and sterilization systems as well as a wide range of new-generation aquarium accessories using our HYDROPURE technology, such as our latest HYDRA Filtron canister deplorators. In addition, we have an early mover advantage with regard to fish nutrition – developing high quality, proprietary formulas that bring out the best in fish.

To be an innovative technology company

R&D remains a critical capability to drive innovation and product development throughout the Group. Our latest efforts have culminated in cutting-edge accessories, such as our latest HYDRA Filtron canister deplorators that are powered by our cutting-edge HYDROPURE filtration technology; the “Revoreef” series of marine aquarium accessories, as well as our innovative fish feeds. Meanwhile, our Multi-Tier Automated Water Recirculation Tank Holding System is being replicated in our other export hubs located in Malaysia, Thailand and China, following the successful implementation of the automated system in our Singapore farm. This system has enabled us to reduce water usage, at the same time, our fish handling capacity has increased by as much as 50% while utilising the same number of workers, thereby raising productivity. We are also on track for the development of a fish count device that will monitor fish inventory more efficiently and expediently.



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10 PROSPECTS (cont'd)

Jumping on the e-commerce bandwagon to open new marketing channels, we have launched our online flagship store on the T-Mall (天貓) platform in China, which has been seeing healthy orders. In FY 2017, we will be looking to launch our proprietary online e-commerce platform – www.qianhushop.com – built to support our Chinese retailers. We believe that our e-commerce strategy will enhance our brand positioning and accessibility, as well as reinforce our quality assurance to customers.

To produce antibiotic-free, sustainable edible fish for the benefit of our consumers and the environment

We have, in December 2016, incorporated a 51% owned subsidiary, Qian Hu Aquaculture (Hainan) Co., Ltd, with a registered capital of Rmb 6 million (approximately \$1.2 million), mainly dealing in the farming of antibiotic-free edible fish, such as groupers, in Hainan Province, China.

Our feasibility studies have shown that our proprietary filtration technology, HYDROPURE, can successfully improve the water quality for edible fish while our fish nutrition know-how has successfully formulated highly nutritious feeds to produce good quality edible fish for the consumer market. In addition, our business partner's expertise in herbal medications will help grow the fish and keep them healthy and antibiotic-free.

The newly set-up company will operate an edible fish farm which occupies a land area of approximately 0.4 hectares with a lease tenure of approximately 16.5 years. The farm is expected to farm varieties of edible fish, primarily for the China market.

We are very excited about the prospects of the edible fish business. If we are able to execute it correctly, this business should be many times bigger than our ornamental fish, and we expect this new aquaculture business to contribute positively to our Group's results as early as FY 2018.

The business landscape continues to be challenging, requiring us to be continually innovative, nimble and agile. Over the years, we have shown ourselves to be resilient, sparing no effort to transform ourselves so as to stay ahead of the competition and to strengthen our business fundamentals. We will continue to focus on innovation to expand our pipeline of compelling products particularly in the areas of filtration, fish nutrition and genetic breeding of unique Dragon Fish, as well as in the sustainable farming of edible fish for the consumer market. These initiatives will continue to position us favourably as we move ahead to achieve our vision of being the world's largest ornamental fish company.

11 RISK FACTORS AND RISK MANAGEMENT

Risk management forms an integral part of our business management. Our 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 our 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 our Group.



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11 RISK FACTORS AND RISK MANAGEMENT (cont'd)

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 the mitigating actions in place in managing these risks.

BUSINESS AND STRATEGY RISKS

Strategy and 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, to ensure that they are in line with the Group's strategic focus and that they meet the relevant rate of financial returns, taking into consideration other risk factors. All business proposals are reviewed by the senior management before obtaining final Board approval.

Market and political risk

Our Group currently operates in six countries with assets and activities spreading mainly 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 and/or respond to any adverse changes in market conditions in a timely manner.

As at 31 December 2016, approximately 31% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 71% of the total revenue in FY 2016. As we currently export to more than 80 cities and countries and to more countries moving forward, the effect of greater geographical diversification reduces the risk of concentration in a single market.

Regulatory risk

Our Group's operations are subject to changes in prevailing laws and regulations in their respective jurisdictions, particularly in areas of corporate law, and possible local government interventions impacting the industry. To mitigate this risk, we maintain close working relationships with respective local authorities and business partners so as to keep abreast with any changes and/or material regulatory development. All necessary certificates and licences are obtained and renewed on a timely basis in accordance with applicable rules and regulations.

Competition risk

With increasing competition, every company is faced with some level of competitive risk. Our Group may possibly lose its competitive edge due to new market entrants or with the growth of existing competitors as well as the emerging of new and better receptive products.

Our Group strives to maintain its competitiveness through differentiation of its products and leveraging on its brand name while consistently monitoring and responding to market dynamics. Conscientious efforts are made in attaining high quality products and services while sustaining a low cost operations so as to improve its competitiveness, productivity and profitability.

In addition, Qian Hu has since invested perpetually in research and development activities in order to develop more innovative accessories products with its in-house proprietary technology to enhance its market competitiveness.



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

Reputation risk

Our Group may face negative publicity or diminution in public confidence if there are mishandling of transactions or events.

Qian Hu values its reputation and has instilled an open communication programme to ensure timely and effective communication of key information with its stakeholders (such as customers, public media, regulators, investor community, etc). It has a proven track record and reputation associated with its investor/public relations efforts which has won itself many awards in various aspects.

Clear corporate mission statements and guiding principles are also in place and communicated to all employees within the Group so as to uphold the reputation of the Group.

Fraud and corruption risk

Our Group places considerable importance on maintaining a strong control environment to ensure that risks are managed and business strategies are executed. Policies and procedures, delegation of authority, minimum internal controls and Code of Ethics have been defined and put into practice by all business entities. Together with compliance with laws and regulations, these established procedures and internal guidelines form the control environment for which all employees are accountable for compliance.

In addition, our Group has since in Year 2006 established a whistle-blowing policy under which employees and outsiders could, through well-defined and accessible channels, raise concerns in confidence about possible improprieties in matters of business activities, financial reporting or other matters to the Whistle-blowing Committee. The Committee is bound to report, within certain established timeline, the results of its investigation to the Audit Committee and to the Board.

Business continuity risk

An organisation may encounter unforeseen circumstances to prevent the continuation of its business operations such as during crisis or disasters.

Qian Hu recognises its exposure to internal and external threats and seeks to increase the resilience of the Group to potential business interruptions so as to minimise any disruptions to its critical business activities, people and assets. Over the years, we have focused on refining our business continuity management, including the setting up of an operational prevention and recovery framework, to ensure that it can continue to maintain our competitive advantage and to maximise value for our stakeholders.

OPERATIONAL RISKS

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.



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

Operational risk (cont'd)

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 indispensable, 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, 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 10% of our Group total revenue for the year ended 31 December 2016, we sell over 1,000 species and varieties of ornamental fish and more than 3,000 kinds of accessories products to more than 80 cities and 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 the research of Dragon Fish breeding behaviour, product innovation technology for aquarium accessories, and new form of ornamental fish farming technology.

Climate change and 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.



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11 RISK FACTORS AND RISK MANAGEMENT (cont'd)

FINANCIAL RISKS

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. Natural hedging is used extensively including matching sales and purchases of the same currency and amount where applicable. Our Group continuously monitors the exchange rates of major currencies and may enter into hedging contracts with banks from time to time whenever the management detects any movements in the respective exchange rates which may impact the Group's profitability.

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

Exchange gain or loss which may also arise when the assets and liabilities in foreign currencies are translated into Singapore dollars for financial reporting purposes. Such currency translation risk, which is inherent for operations outside Singapore, is non-cash in nature and therefore not hedged.

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.

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.



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

Liquidity risk

The objective of liquidity management is to ensure that our Group has sufficient funds to meet our contractual and financial obligations as and when they fall due. To manage liquidity risk, we monitor our net operating cash flow and maintain a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows. Over the years, our Group has enhanced its ability to generate cash from operating activities. Accordingly, we envisage that our cash position will continue to improve, hence reducing liquidity risk.

Financial management risk

Our Group has formalised operating manuals and standard operating procedures to ensure that transactions are carried out in conformity with accounting standards and the Group's accounting policies and that the internal controls over financial reporting are adequate so as to minimise such risk. Nonetheless, the system may not prevent or detect all frauds or misstatements in a timely manner, especially with changes in conditions and operations which may cause the system effectiveness to vary from time to time.

We have relied on self-assessment, regular review and the reporting process to ensure proper financial discipline and compliance with established Group's policies and guidelines. External and internal audit reviews carried out annually on the controls and procedures in place also serves as a platform to highlight any irregularities.

Capital structure risk

In managing capital, our Group's objectives are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to provide appropriate returns to shareholders and benefits for other stakeholders through pricing its products and services at levels commensurate with the level of risks it is exposed to.

The capital structure of the Group consists of loans and borrowings, issued share capital and retained earnings. Regular review are performed to ensure optimal capital structure taking into consideration future capital requirements and capital efficiency, prevailing operating cash flow and profitability as well as projected capital expenditure. In order to maintain or achieve an optimal capital structure, we may issue new shares, obtain new bank borrowings, sell assets to reduce external borrowings, pay or adjust the amount of dividend payment or return capital to shareholders.

The Group also monitors its gross gearing, net gearing and their trends.

Derivative financial instrument risk

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



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12 DIVIDEND

(a) **Present period**

There was no final dividend recommended in respect of the financial year ended 31 December 2016 as cash were utilised for the renewal of the land leases of the Singapore farm and for the investment in our new aquaculture business in FY 2017. The Company will resume its dividend payout once its new business activity contributes results.

(b) **Previous corresponding period**

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

(c) **Total annual dividend**

	Latest year (\$'000)	Previous year (\$'000)
Ordinary	Nil	227
Preference	Nil	-
Total:	Nil	227

(d) **Date payable**

Not applicable

(e) **Books closure date**

Not applicable

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").



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13 **INTERESTED PERSON TRANSACTIONS (cont'd)**

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

	<u>Group</u>		<u>Company</u>	
	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>
	\$	\$	\$	\$
Fees paid to a company in which a director has an interest	-	8,600	-	8,600
Guarantee fee paid to a major shareholder of the Company *	33,000	37,000	33,000	37,000
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 2016.

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.

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.



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

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

Group	Financial year ended 31 Dec 2016				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	31,678	37,649	11,143	-	80,470
Inter-segment revenue	2,152	5,594	145	(7,891)	-
Total Revenue	33,830	43,243	11,288	(7,891)	80,470
Results					
EBITDA *	1,736	1,354	1,020	(1,902)	2,208
Depreciation and amortisation	(1,169)	(523)	(166)	-	(1,858)
Interest expense	(19)	(39)	(3)	(278)	(339)
Interest income	7	2	-	-	9
	555	794	851	(2,180)	20
Share of losses of associate	-	(30)	-	-	(30)
Profit (Loss) before tax	555	764	851	(2,180)	(10)
Tax credit	125	146	61	-	332
Profit for the year	680	910	912	(2,180)	322
Net profit margin	2.1%	2.4%	8.2%		0.4%
Assets and Liabilities					
Segment assets	30,837	39,456	4,369	3,001	77,663
Investment in associate	-	278	-	-	278
Segment liabilities	4,306	6,065	1,932	14,866	27,169
Other Segment Information					
Expenditures for non-current assets **	1,651	856	339	-	2,846
Other non-cash items:					
Bad trade receivables written off	44	-	-	-	44
Gain on disposal of					
- property, plant and equipment	(13)	(37)	(29)	-	(79)
- brooder stocks	(1)	-	-	-	(1)
Allowance for (Write back of allowance for)					
- doubtful trade receivables	64	109	5	-	178
- inventory obsolescence	-	(17)	-	-	(17)

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

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



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

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

Group	Financial year ended 31 Dec 2015				
	Fish	Accessories	Plastics	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
External revenue	31,372	35,399	11,199	-	77,970
Inter-segment revenue	2,025	6,023	227	(8,275)	-
Total Revenue	33,397	41,422	11,426	(8,275)	77,970
Results					
EBITDA *	1,820	1,705	849	(1,866)	2,508
Depreciation and amortisation	(1,006)	(486)	(125)	-	(1,617)
Interest expense	(28)	(29)	(1)	(244)	(302)
Interest income	4	2	-	-	6
	790	1,192	723	(2,110)	595
Share of losses of associate	-	(46)	-	-	(46)
Profit before tax	790	1,146	723	(2,110)	549
Tax expense	(182)	(60)	(35)	-	(277)
Profit for the year	608	1,086	688	(2,110)	272
Net profit margin	1.9%	3.1%	6.1%		0.3%
Assets and Liabilities					
Segment assets	31,179	37,014	3,847	3,777	75,817
Investment in associate	-	307	-	-	307
Segment liabilities	4,943	4,975	1,757	13,834	25,509
Other Segment Information					
Expenditures for non-current assets **	1,254	445	168	-	1,867
Other non-cash items:					
Bad trade receivables written off	40	3	-	-	43
Gain on disposal of property, plant and equipment	-	(44)	(3)	-	(47)
Allowance for (Write back of allowance for)					
- doubtful trade receivables	160	22	-	-	182
- inventory obsolescence	-	(50)	-	-	(50)
Change in fair value less estimated point-of-sale costs of breeder stocks	17	-	-	-	17

(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 segment assets are based on the geographical location of the assets.



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

(b) **Geographical segments (cont'd)**

Group	Revenue		Segment non-current assets		Segment assets	
	Financial year ended 31 Dec		Financial year ended 31 Dec		Financial year ended 31 Dec	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	23,565	22,784	23,651	14,407	53,633	55,992
Other Asian countries	41,328	38,059	4,785	2,378	23,752	19,518
Europe	8,649	9,368	278	307	278	307
Others	6,928	7,759	-	-	-	-
Total	80,470	77,970	28,714	17,092	77,663	75,817

(c) **Major customers**

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

15 **BREAKDOWN OF REVENUE**

Group	Fish	Accessories	Plastics	Total
	\$'000	\$'000	\$'000	\$'000
4Q 2016				
Singapore (including domestic sales & sales to Singapore)	1,047	2,142	2,856	6,045
Overseas (including export to & sales in overseas)	6,927	9,073	67	16,067
Total revenue	7,974	11,215	2,923	22,112
4Q 2015				
Singapore	971	2,062	2,766	5,799
Overseas	6,724	6,769	43	13,536
Total revenue	7,695	8,831	2,809	19,335
Financial year ended 31 Dec 2016				
Singapore (including domestic sales & sales to Singapore)	4,276	8,382	10,907	23,565
Overseas (including export to & sales in overseas)	27,402	29,267	236	56,905
Total revenue	31,678	37,649	11,143	80,470
Financial year ended 31 Dec 2015				
Singapore	3,898	7,891	10,995	22,784
Overseas	27,474	27,508	204	55,186
Total revenue	31,372	35,399	11,199	77,970



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16 **REVENUE AND PROFIT CONTRIBUTION BY QUARTER**

	Group		Increase (Decrease)
	Financial year ended 31 Dec		
	2016	2015	
	\$'000	\$'000	%
Revenue			
1st Quarter	19,611	20,769	(5.6)
2nd Quarter	19,100	20,026	(4.6)
3rd Quarter	19,647	17,840	10.1
4th Quarter	22,112	19,335	14.4
	<u>80,470</u>	<u>77,970</u>	3.2
Profit (Loss) before tax			
1st Quarter	2	253	(99.2)
2nd Quarter	23	79	(70.9)
3rd Quarter	93	209	(55.5)
4th Quarter	(128)	8	NM
	<u>(10)</u>	<u>549</u>	(101.8)
Profit (Loss) attributable to owners of the Company			
1st Quarter	12	112	(89.3)
2nd Quarter	15	12	25.0
3rd Quarter	5	93	(94.6)
4th Quarter	36	(198)	118.2
	<u>68</u>	<u>19</u>	257.9

NM: Not Meaningful

17 **CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS**

The Company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

18 **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:



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18 **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
Tan Boon Kim	51	Brother-in-law of Alvin Yap Ah Seng and Andy Yap Ah Siong	Managing Director of - Thai Qian Hu Company Limited (since 2002) - P.T. Qian Hu Joe Aquatic Indonesia (since 2012) Duties : Oversees the business operations and business development of Thai Qian Hu Company Limited & P.T. Qian Hu Joe Aquatic Indonesia	No change
Yap Kim Choon	56	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	62	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



QIAN HU CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. : 199806124N)

18 **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 Kok Cheng	38	Son of Yap Hock Huat	General Manager, China Operations (since 1 January 2016) Duties : Oversees and manages the overall business operations and business development in China	No change
Yap Kay Wee	38	Son of Yap Ping Heng	Head of Accessories Business, China Operations (since 1 January 2016) Duties : Oversees and manages the accessories business in China	No change
Lim Yik Kiang	40	Son-in-law of Yap Hock Huat	Head of Ornamental Fish Business, China Operations (since 1 January 2016) Duties : Oversees and manages the ornamental fish business in China	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 2017



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Independent auditors' report

Members of the Company
Qian Hu Corporation Limited

Report on the financial statements

Opinion

We have audited the financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows of the Group, and the statement of profit or loss, comprehensive income and changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS64.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and the financial performance and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of biological assets (\$8.2 million) Refer to Note 6 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group holds a significant amount of biological assets in the form of brooder stock of dragon fish. Brooder stock is carried at cost less accumulated depreciation and impairment.</p> <p>Prevailing oversupply of dragon fish has exerted downward pressure on the selling prices of dragon fish. This presents a risk that the brooder stock balance may not be recoverable, resulting in losses.</p> <p>Management performed an annual impairment review on brooder stock, which involves significant judgment in estimating future cash flows. Due to the level of judgment involved, this is one of the key areas that our audit focused on.</p>	<p>We considered the appropriateness of the valuation methodology and tested the information used by management.</p> <p>The key assumptions underlying the projected cash flows (including production yield and budgeted revenue growth) are challenged by comparing against historical information of the Group and consideration of other external and internal factors. Our valuation specialists are engaged to assess the reasonableness of the discount rate used.</p> <p>We tested the mathematical accuracy of the discounted cash flow model and evaluated the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the key assumptions.</p> <p>In addition, we evaluated the appropriateness of the relevant disclosure in relation to the valuation of biological assets.</p>
<i>Our findings</i>	
<p>The key assumptions underlying the projected cash flows are comparable to the historical information of the Group.</p> <p>The Group's impairment review is sensitive to changes in all the key assumptions used. Based on the Group's sensitivity analysis, a reasonable possible change in a single factor could result in impairment of biological assets as their recoverable amount currently only marginally exceeds their carrying value.</p> <p>We found that the disclosure appropriately describes the inherent degree of judgement involved.</p>	



Valuation of trade and other receivables (\$33.7 million) Refer to Note 10 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group has significant and long outstanding receivables from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH) and the purchasers of Kim Kang Aquaculture Sdn. Bhd (KKSB) amounting to \$12.6 million, representing 37% of total trade and other receivables. GZQH and KKSB are former subsidiaries of the Group. No allowance for doubtful debts was made for these balances as of the reporting date.</p> <p>The assessment of collectability of long outstanding receivables involves significant judgement of the debtors' ability to pay and the credit worthiness of their guarantors.</p>	<p>We assessed the recoverability of the amounts owing by GZQH and the purchasers of KKSB with reference to payment track records, financial positions of the debtors and the guarantors, on-going business relationship with the debtors and the repayment plans agreed with the debtors.</p> <p>In addition, we reviewed the sufficiency of the disclosures in relation to the significant and long outstanding receivables.</p>
<i>Our findings</i>	
<p>We found management's assessment of the recoverability of trade and other receivables, which premised on the financial strength of the guarantors and repayment plans to be reasonable and the disclosures to be appropriate.</p>	



Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon (the Annual Report). The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors 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 Act and FRSS, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Kum Chew Foong.

A handwritten signature in black ink, appearing to read 'KPMG' followed by a stylized flourish.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

12 January 2017