

Message from the FISH

Dear friends,

In the last few years, we have taken some important steps in our strategy. We spoke to you about building our innovative edge and moving into automation to bring us forward into the future, and also outlined our strategy to continuously launch new exciting accessories to add to our product arsenal. And we have been working very hard on both fronts to show you sustainable results!

First of all, our lease at the Singapore fish farm has been successfully granted a further 10-year lease until 11 November, 2026. This will allow us to continue our momentum towards innovation at the farm. Already, the successful implementation of our Multi-Tier Automated Water Recirculation Tank Holding System – in our export hubs

located in Singapore, Malaysia, Thailand, and China – has worked wonders to improve productivity at our fish farms in the region. We have enjoyed a 50% increase in fish capacity while utilizing the same number of workers, which raised our productivity. At the same time, this system enabled us to reduce our footprint on the environment with less water required. We are also on track for the development of our fish counting device, designed to further improve our inventory monitoring efficiency.

Meanwhile, the positive feedback behind our proprietary Hydro-Pure Technology has been very encouraging across our markets, and we have lined up new Hydra products across both freshwater and marine accessories segments as well.

We were heartened to realise that the Qian Hu brand has indeed grown from strength to strength across our key Asian markets. As a heritage brand, we are known for being a pioneer and leader in the aquatic business.



We also took critical steps towards the online market in the last year - in late 2015, we started our Qian Hu online flagship store on the popular T-Mall platform in China, which has been seeing healthy orders. In the coming year, we will also be looking to launch our proprietary online e-commerce platform built to support our Chinese retailers.

As the proliferation of mobile devices continues to drive online shopping and buying behavior in China, we believe such online platforms will offer a consistent approach to the branding, marketing and pricing of our products. With a Qian Hu-branded e-shop, our customers will have the assurance they are getting authentic, quality Qian Hu products at competitive prices.

BUILDING OUR BRANDS

Our brands form the heartbeat of Qian Hu, and our brand strength will be critical in paving the way even in tough times. So, this year, we added a new dimension to our strategy through a brand building exercise.

Over a period of 10 months, we embarked on a journey of discovery to find out how our brands and our products are perceived. We believe that change starts from within

ourselves, so we wanted to make sure that our research would cover not just market sentiment, but also our internal employee feedback. This would give us an important key inside-out perspective that allows us to identify and address any underlying issues in the house.

MAKING OUR MARK

After concluding the research, we were heartened to realise that the Qian Hu brand has indeed grown from strength to strength across our key Asian markets. As a heritage brand, we are known for being a pioneer and leader in the aquatic business.

Our retailers and consumers hold our brands and products in high regard, and we enjoy good brand standing in the market due to a few key factors: our ongoing quest for innovation and creativity, how we constantly reinvent ourselves to meet consumers' needs, and the proven track record of the quality of our products.

In particular, our brands – such as OF and Ocean Free, renowned for its premium quality products such as fish food, tanks, and medication; as well as Hydra, our range of dehydrating products – have constantly raised the bar for aquarium accessories.

Of course, there will be areas that we need to work on. For instance, we are looking at the feasibility of localised packaging for different markets, refreshing some of our older packaging or logos, and exploring new sales channels. These are the aspects that we will be tackling as a Group in the coming year and beyond in order to bolster our brand offerings.

Ultimately, we recognise that we are living in a world today where consumers want to have their say in a brand, and we want to work to deliver the most meaningful and personal experience possible.

DRIVING INNOVATION

We have been busy creating more innovative products this year, lining up a host of new accessories such as the latest Hydra Filtron canister dehydrators powered by our revolutionary Hydro-Pure Technology, and working on the first-ever OF Ocean Free water pumps.

At the same time, we expanded our electrical accessories range with new pump and lighting accessories under our AquaZonic brand. Our InstaFresh canned fish feed series is also enjoying immense popularity, as we continue to grow the range. Meanwhile, RevoReef,

our marine products brand, is gaining momentum with new tank additions and accessories.

In our 2017 strategy, we have identified aquaculture or the business of rearing edible fish as one of our upcoming business focuses, and I am happy to report that we are on track to develop and grow this business segment. In December 2016, we have incorporated a 51%-owned subsidiary, Qian Hu Aquaculture (Hainan) Co., Ltd, with a registered capital of RMB 6 million (approximately \$1.2 million).

Dealing mainly in the farming of antibiotic-free edible fish, such as groupers, in Hainan Province, China, the newly set up company will operate an edible fish farm occupying a land area of approximately 0.4 hectares with a lease tenure of approximately 16.5 years. The farm is expected to yield a variety of edible fish, primarily for the China market.

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

our R&D efforts moving forward will therefore also be focused on aquaculture-related areas.

WHAT LIES AHEAD

As global growth continues to slow, coupled with a weaker Chinese economy and the prolonged debt crisis in Europe, we are braced for yet another challenging year ahead. We expect the operating environment for Qian Hu to remain bearish amid these difficult conditions, but we will continue to evolve purposefully as a company in this volatile economy.

We will take stock of our brands, and leverage our brand strength to extend our competitive advantage as we continue to strive to be the Asian aquarium accessories provider of choice in the region. Guided by our spirit of innovation and resilience, we will remain focused on our business fundamentals and technology development. Meanwhile, we want to continue to build a strong pipeline of compelling products for our customers that are designed to meet their needs.

We will also spend our efforts on cutting-edge developments in our Hydro-Pure technology and our Hydra series of depurating

products, fish nutrition, as well as genetic breeding of unique Dragon Fish. As we look to introduce our branded online platform for selling in China moving forward, we will be able to better control our pricing, inventory, and branding efforts. We may also look to replicate this model in other markets when the timing is right.

As we close the financial year, I would like to thank you for your unwavering support and belief in our journey.



Kenny The Fish

Executive Chairman & Managing Director

主席的话

各位朋友：

在过去几年里，仟湖在策略上采取了一些重要的步骤。我们多次与大家谈到要借助创新及自动化模式来提升仟湖未来的竞争优势，以引领仟湖走向新的起点。另外，我们的水族器材产品也在不断地推陈出新以增强目前的产品系列。我们在这两方面都非常努力地向大家展示可持续的成果！

首先，我们在新加坡的鱼场租约已成功取得延续10年至2026年11月11日。这意味着我们能够继续推进鱼场改革的势头。我们已在集团设立于新加坡、马来西亚、泰国及中国的出口枢纽装置了高密度的多层自动循环水箱收纳系统，使得我们在这些区域的鱼场的生产力有了显著的提升。现在，我们能够在现有的人力资源下将鱼的容量提升50%。不仅如此，该系统更有助于减少用水量从而为环保尽一份力。我们之前计划开发的鱼量计数装置也正如期进行。有了这个装置，我们便能更好地掌握鱼的数量，从而加强我们的库存监控系统。

与此同时，仟湖独家研发的艾洁净水科技（HYDRO-PURE TECHNOLOGY）在我们的主要市场皆受获好评。我们更乘胜追击陆续推出艾洁（HYDRA）系列适用于饲养淡水鱼和海水鱼的水族器材新产品。

在2015年12月，仟湖开始涉电子商务并在天猫商城成立仟湖网上旗舰店。来自该网站的订单也逐步增加。接下来，我们将成立仟湖官方旗舰店——“仟湖商城”为中国零售商客户提供更完善的服务。

移动设备的普及化与使用率日益扩大推动了网上购物和改变了中国消费者的购买行为。我们相信仟湖商城这个在线平台，不仅能够让我们更有效地统一仟湖品牌、营销策略和

价格也能确保消费者能够以最优惠的价格购买到货真价实的仟湖产品。

建立仟湖的品牌

品牌是仟湖的骨干力量。我们的品牌实力在集团成长的路上，尤其是在艰难时期，将扮演着至关重要的角色。因此，我们今年新增的策略中便包括了检讨仟湖的品牌建立。

我们用了10个月的时间深入了解市场与消费者对仟湖旗下的品牌所持有的看法。我们也深信，改革也须从内部着手，因此，仟湖员工们的意见及反馈也是重要考量之一。这样一来，我们能够以更全面的角度来识别和解决任何可能潜在的问题。

品牌确认

经过调研后，让我们感到欣慰的是仟湖品牌在亚洲主要市场已建立了非常好的口碑及形象。作为一个传统品牌，仟湖被誉为水族行业的先驱和领导者。

无论是零售商或消费者，大家都对我们的品牌和产品都给予极高的评价与重视。我们能享有如此良好的品牌地位的主要原因是基于仟湖追求创新的进取心、不断地自我改进来迎合客户需求的改变以及具有优良品质产品所建立起的口碑。

其中，我们的品牌如OF及傲深（Ocean Free）以优良的营养鱼饲料、鱼缸及药物而闻名。艾洁系列的净水产品功能也在不断地提升。

当然，有一些领域我们还有待加强。例如，我们正探讨为个别市场推出当地化产品包装

让我们感到欣慰的是仟湖品牌在亚洲主要市场已建立了非常好的口碑及形象。作为一个传统品牌，仟湖被誉为水族行业的先驱和领导者。

的可行性以便能更贴近我们的客户、更新旧的包装或标志以及探索全新的销售渠道。这些将是来年集团整体在扩展品牌时所必须克服的挑战。最终，我们更意识到现今的消费者都希望能在各别品牌中找到自己的声音。仟湖也希望能够为消费者们提供有意义的个性化服务体验。

推进创新

这一年来，我们一直忙着研发更多创新的水族器材产品。例如，采用我们独家研发的艾洁净水科技开发的艾洁鱼缸净水器过滤器。我们也正在研发OF系列的首个气泵产品。

同时，我们拓展了艾柯（AquaZonic）品牌旗下的产品种类包括推出新的水泵产品及灯饰配件。鱼饲料方面，我们则逐步扩大日益受欢迎的InstaFresh罐装鱼饲料系列。此外，我们的海洋水族器材品牌——睿堡（RevoReef）也添加了新的鱼缸及水族器材。

踏入2017年，水产养殖业务将是仟湖要致力发展的新业务之一。我们会着重投入资源研发有利于环境的无抗生素食用鱼。我很高兴的汇报发展水产养殖业务的计划正如期进行。在2016

年12月，我们成立了一家新的子公司——仟湖水产（海南）有限公司。该子公司的注册资本为人民币600万元（约120万新元），仟湖占有51%股权。

仟湖水产（海南）有限公司的主要业务是养殖无抗生素的食用鱼，如石斑鱼。该公司将在海南省经营占地约0.4公顷的养殖场，土地使用年限为16.5年。我们预计该养殖场能为中国市场供应多样的无抗生素食用鱼。

我们对水产养殖业的前景非常有信心。如果我们正确地执行所设定的发展策略，水产养殖业务将是观赏鱼业务的数倍。我们预计这项新的业务最快能提升集团2018财政年的业绩。接下来，集团也会将部分的研发资源投入与水产养殖相关的领域。

2017年前景

随着全球经济增长放缓、中国经济疲软和欧洲债务危机持续，我们预计2017年依旧会是充满挑战的一年。也因如此，仟湖将会面对较艰难的经营环境。尽管如此，我们还是会继续推动应有的改革。

我们将整合仟湖旗下的品牌，并借助我们的品牌实力来提升我们的竞争优势。我们会努力朝向使我们的水族器材业务成为亚洲区域客户的首选。借着仟湖的创新精神和韧性，我们会继续专注于加强我们的业务基础并提升技术以开发更多迎合客户需求的产品。

我们会继续投入艾洁净水科技的研发及开发艾洁系列的净化产品、研制更多的营养鱼饲料，以及培育独具匠心的龙鱼品种。仟湖在中国的崭新在线平台将能够让我们更好地掌控产品价格、库存和销售策略。在适当的时机，我们会将相同的模式推行到其他的市场。

最后，在结束2016财政年之际，我非常感谢大家赋予仟湖毫不动摇的信心及支持。



叶金利
执行主席兼总裁