



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

SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT OR LOSS**
FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2016

| | | Group | | | Group | | |
|--|-----|-----------------------|----------------|----------------|-----------------------|----------------|----------------|
| | | 3 months ended 30 Jun | | Change % | 6 months ended 30 Jun | | Change % |
| | | 2016 \$'000 | 2015 \$'000 | | 2016 \$'000 | 2015 \$'000 | |
| Revenue | | 19,100 | 20,026 | (4.6) | 38,711 | 40,795 | (5.1) |
| Cost of sales | | (13,273) | (14,273) | (7.0) | (26,944) | (29,263) | (7.9) |
| Gross profit | | 5,827 | 5,753 | 1.3 | 11,767 | 11,532 | 2.0 |
| Other income | i | 31 | 60 | (48.3) | 114 | 118 | (3.4) |
| | | 5,858 | 5,813 | 0.8 | 11,881 | 11,650 | 2.0 |
| Selling & distribution expenses | ii | (394) | (414) | (4.8) | (690) | (727) | (5.1) |
| General & administrative expenses | ii | (5,353) | (5,258) | 1.8 | (10,976) | (10,477) | 4.8 |
| Results from operating activities | iii | 111 | 141 | (21.3) | 215 | 446 | (51.8) |
| Finance income | iv | 4 | 2 | 100.0 | 5 | 3 | 66.7 |
| Finance costs | iv | (86) | (75) | 14.7 | (177) | (140) | 26.4 |
| | | 29 | 68 | (57.4) | 43 | 309 | (86.1) |
| | | (6) | 11 | (154.5) | (18) | 23 | (178.3) |
| Profit before tax | | 23 | 79 | (70.9) | 25 | 332 | (92.5) |
| Tax credit (expense) | v | 49 | (44) | 211.4 | 126 | (97) | 229.9 |
| Profit for the period | | 72 | 35 | 105.7 | 151 | 235 | (35.7) |
| Profit attributable to: | | | | | | | |
| Owners of the Company | | 15 | 12 | 25.0 | 27 | 124 | (78.2) |
| Non-controlling interests | | 57 | 23 | 147.8 | 124 | 111 | 11.7 |
| Profit for the period | | 72 | 35 | 105.7 | 151 | 235 | (35.7) |
| Gross profit margin | | 30.5% | 28.7% | | 30.4% | 28.3% | |
| Net profit margin | | 0.4% | 0.2% | | 0.4% | 0.6% | |
| Effective tax rate | | NM | 68.4% | | NM | 35.2% | |

NM: Not meaningful



QIAN HU CORPORATION LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2016

| | <u>Group</u> | | | <u>Group</u> | | |
|--|------------------------------|--------------|---------------|------------------------------|-------------|---------------|
| | <u>3 months ended 30 Jun</u> | | <u>Change</u> | <u>6 months ended 30 Jun</u> | | <u>Change</u> |
| | <u>2016</u> | <u>2015</u> | | <u>2016</u> | <u>2015</u> | |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| Profit for the period | 72 | 35 | 105.7 | 151 | 235 | (35.7) |
| Other comprehensive income | | | | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | | |
| Foreign currency translation differences - foreign operations, net of tax | (91) | (425) | (78.6) | (115) | (179) | (35.8) |
| Other comprehensive income for the period, net of tax | (91) | (425) | (78.6) | (115) | (179) | (35.8) |
| Total comprehensive income for the period | (19) | (390) | (95.1) | 36 | 56 | (35.7) |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | (80) | (320) | (75.0) | (63) | (39) | 61.5 |
| Non-controlling interests | 61 | (70) | 187.1 | 99 | 95 | 4.2 |
| Total comprehensive income for the period | (19) | (390) | (95.1) | 36 | 56 | (35.7) |

Notes to Statement of Profit or Loss

(i) **Other income**

Other income comprises:

| | <u>Group</u> | | <u>Group</u> | |
|---|------------------------------|-------------|------------------------------|-------------|
| | <u>3 months ended 30 Jun</u> | | <u>6 months ended 30 Jun</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 | 9 | 30 | 25 | 34 |
| Sundry income | 22 | 30 | 89 | 84 |
| | 31 | 60 | 114 | 118 |



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

- (ii) **Selling & distribution expenses** – decreased by \$37K or 5.1% (YTD)
decreased by \$20K or 4.8% (2Q 2016)

General & administrative expenses – increased by \$499K or 4.8% (YTD)
increased by \$95K or 1.8% (2Q 2016)

The net increase in operating expenses by approximately \$0.5 million or 4.1% in the 1st half of 2016 was mainly due to exchange loss incurred of approximately \$0.3 million for the 6 months ended 30 June 2016 as compared to an exchange gain of approximately \$0.2 million registered in its corresponding period in 2015.

Except for the above, despite the broad-spectrum increase in operating costs (e.g. utilities costs) as a result of elevated inflationary pressure, the operating expenses totalled in the current quarter and for the 1st half of 2016 were comparable to its corresponding periods in 2015, mainly due to conscientious efforts made to contain operating costs, which was in accordance with the Group's objective to be more productive and efficient in the long run.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

| | Group | | Group | |
|--|-----------------------|--------|-----------------------|--------|
| | 3 months ended 30 Jun | 2015 | 6 months ended 30 Jun | 2015 |
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Auditors' remuneration | | | | |
| - auditors of the Company | 31 | 27 | 58 | 54 |
| - other auditors | 2 | 2 | 5 | 5 |
| Non-audit fees | | | | |
| - other auditors | 3 | 3 | 3 | 3 |
| Directors' fees | | | | |
| - directors of the Company | 25 | 20 | 50 | 40 |
| Directors' remuneration | | | | |
| - directors of the Company | 283 | 281 | 567 | 563 |
| - directors of subsidiaries | 87 | 101 | 175 | 212 |
| Bad trade receivables written off | 6 | 17 | 22 | 32 |
| Depreciation of | | | | |
| - property, plant and equipment | 409 | 345 | 789 | 706 |
| - brooder stocks | 47 | 47 | 95 | 95 |
| Property, plant and equipment written off | 5 | - | 5 | - |
| Allowance for (Write back of allowance for) | | | | |
| - doubtful trade receivables | 24 | 7 | 92 | 144 |
| - inventory obsolescence | - | - | (17) | (50) |
| Operating lease expenses | 255 | 285 | 532 | 577 |
| Personnel expenses * | 3,282 | 3,242 | 6,636 | 6,663 |
| Exchange loss (gain), net | 45 | 71 | 261 | (205) |
| Change in fair value less estimated point-of-sale costs of breeder stocks | - | - | - | 9 |

* Include directors' remuneration.



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

(iv) **Financial income**

Financial costs

| | Group | | Group | |
|-----------------------------|------------------------------|---------------|------------------------------|---------------|
| | 3 months ended 30 Jun | | 6 months ended 30 Jun | |
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest expense | | | | |
| - bank loans and overdrafts | 71 | 62 | 147 | 111 |
| - bills payable to banks | 7 | 4 | 14 | 9 |
| - finance lease liabilities | 8 | 9 | 16 | 20 |
| | 86 | 75 | 177 | 140 |
| Interest income | | | | |
| - bank deposits | (4) | (2) | (5) | (3) |
| Net finance costs | 82 | 73 | 172 | 137 |

The increase in net finance costs by approximately 12.3% and 25.5% in the current quarter and for the 1st half of 2016 respectively as compared to its corresponding periods 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 30 Jun | | 6 months ended 30 Jun | |
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current tax expense | | | | |
| - current year | 51 | 54 | 74 | 117 |
| - over provision in respect of prior years | - | (10) | - | (20) |
| Deferred tax | | | | |
| - recognition of tax effect of previously unrecognised tax losses | (100) | - | (200) | - |
| | (49) | 44 | (126) | 97 |

Despite the tax incentives granted for qualifying expenditures, the effective tax rate registered for the 2nd quarter of 2016 and for the 1st half of 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. In addition, there were higher profit contributions from entities with a higher tax rate.



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

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Property, plant and equipment | 7,971,582 | 8,076,128 | 4,695,410 | 5,377,236 |
| Intangible assets | 343,048 | 343,048 | 343,048 | 343,048 |
| Brooder stocks | 8,270,833 | 8,365,583 | 8,270,833 | 8,365,583 |
| Investments in subsidiaries | - | - | 2,295,785 | 2,295,785 |
| Investment in associate | 289,129 | 307,463 | 412,600 | 412,600 |
| Non-current assets | 16,874,592 | 17,092,222 | 16,017,676 | 16,794,252 |
| Breeder stocks | 36,180 | 24,780 | 36,180 | 24,780 |
| Inventories | 15,968,046 | 15,747,853 | 7,548,328 | 7,043,358 |
| Trade receivables | 24,918,059 | 25,557,541 | 18,516,134 | 19,279,456 |
| Other receivables, deposits and prepayments | 9,368,010 | 8,810,690 | 7,060,415 | 6,611,893 |
| Due from | | | | |
| - subsidiaries (trade) | - | - | 6,237,538 | 6,233,190 |
| - subsidiaries (non-trade) | - | - | 1,273,828 | 1,274,808 |
| - associate (trade) | 735,063 | 811,940 | 735,063 | 811,940 |
| Cash and bank balances | 6,918,669 | 7,771,930 | 4,158,389 | 4,287,591 |
| Current assets | 57,944,027 | 58,724,734 | 45,565,875 | 45,567,016 |
| Total assets | 74,818,619 | 75,816,956 | 61,583,551 | 62,361,268 |
| Equity | | | | |
| Share capital | 30,772,788 | 30,772,788 | 30,772,788 | 30,772,788 |
| Reserves | 17,609,792 | 17,899,904 | 11,128,115 | 11,354,087 |
| Equity attributable to owners of the Company | 48,382,580 | 48,672,692 | 41,900,903 | 42,126,875 |
| Non-controlling interests | 1,734,188 | 1,635,086 | - | - |
| Total equity | 50,116,768 | 50,307,778 | 41,900,903 | 42,126,875 |
| Liabilities | | | | |
| Loans and borrowings | 137,872 | 141,535 | - | 824 |
| Deferred tax liabilities | 229,095 | 428,582 | 180,000 | 380,000 |
| Non-current liabilities | 366,967 | 570,117 | 180,000 | 380,824 |
| Trade payables | 6,169,019 | 5,968,974 | 2,365,421 | 2,268,637 |
| Other payables and accruals | 3,376,672 | 4,120,667 | 2,549,356 | 3,150,899 |
| Due to | | | | |
| - subsidiaries (trade) | - | - | 371,882 | 208,666 |
| - subsidiaries (non-trade) | - | - | 107,356 | 46,657 |
| Loans and borrowings | 14,419,777 | 14,427,293 | 13,901,176 | 13,971,253 |
| Current tax payable | 369,416 | 422,127 | 207,457 | 207,457 |
| Current liabilities | 24,334,884 | 24,939,061 | 19,502,648 | 19,853,569 |
| Total liabilities | 24,701,851 | 25,509,178 | 19,682,648 | 20,234,393 |
| Total equity and liabilities | 74,818,619 | 75,816,956 | 61,583,551 | 62,361,268 |



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

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| Inventory turnover (days) | 107 | 106 | 86 | 78 |
| Trade receivables turnover (days) | 117 | 120 | 155 | 156 |
| Trade receivables turnover (days) (without GZQH balances) | 76 | 76 | 83 | 81 |
| Debt equity ratio | 0.49 | 0.51 | 0.47 | 0.48 |

Note - Following the disposal of Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (“GZQH”), a former subsidiary of the Group, 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

(1) Intangible assets comprise:

| | Group and Company | |
|---------------------------------------|--------------------------|--------------------|
| | 30 Jun 2016 | 31 Dec 2015 |
| | \$ | \$ |
| Trademarks/customer acquisition costs | 921,497 | 921,497 |
| Product listing fees | 196,153 | 196,153 |
| | <u>1,117,650</u> | <u>1,117,650</u> |
| Less accumulated amortisation | (774,602) | (774,602) |
| | <u>343,048</u> | <u>343,048</u> |

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the 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.

Product listing fees relate to cost 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.



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Notes to Statements of Financial Position (cont'd)

(2) The details of subsidiaries are as follows:

| Name of subsidiary | Effective equity interest held by the Group | | Cost of investment by the Company | |
|--|---|-------------|-----------------------------------|------------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 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 | - | - |
| 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 |
| 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 |
| | | | <u>2,295,785</u> | <u>2,295,785</u> |

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

(3) The details of associate is as follows:

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$ | \$ | \$ | \$ |
| Unquoted equity investment | 812,600 | 812,600 | 812,600 | 812,600 |
| Less | | | | |
| Share of post-acquisition losses | (301,692) | (283,358) | - | - |
| Impairment loss on investment | (221,779) | (221,779) | (400,000) | (400,000) |
| | <u>289,129</u> | <u>307,463</u> | <u>412,600</u> | <u>412,600</u> |



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Notes to Statements of Financial Position (cont'd)

| Name of associate | Principal activities | Effective equity held by the Group | |
|--|---|------------------------------------|-------------|
| | | 30 Jun 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 (\$) since its acquisition. The Group will continue to equity account for its share of results in Arcadia.

- (4) 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 30 June 2016 was mainly due to difference in quantity, valuation and product mix in relation to the breeder stocks held as at both reporting dates.

- (5) Inventories comprise:

| | Group | | Company | |
|--|-------------------|-------------------|------------------|------------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$ | \$ | \$ | \$ |
| Fish | 2,981,742 | 3,156,929 | 2,225,494 | 2,324,237 |
| Accessories | 12,434,166 | 12,122,893 | 5,630,834 | 5,044,121 |
| Plastics products - raw materials | 423,340 | 363,295 | - | - |
| Plastics products - finished goods | 530,588 | 523,526 | - | - |
| | <u>16,369,836</u> | <u>16,166,643</u> | <u>7,856,328</u> | <u>7,368,358</u> |
| Less allowance for inventory obsolescence | (401,790) | (418,790) | (308,000) | (325,000) |
| | <u>15,968,046</u> | <u>15,747,853</u> | <u>7,548,328</u> | <u>7,043,358</u> |

The increase in accessories inventory balance as at 30 June 2016 was mainly due to purchases made for orders due for delivery in the 3rd quarter of 2016.

- (6) Trade receivables comprise:

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$ | \$ | \$ | \$ |
| Trade receivables | 27,372,108 | 27,917,547 | 20,883,514 | 21,562,976 |
| Less allowance for doubtful trade receivables | (2,454,049) | (2,360,006) | (2,367,380) | (2,283,520) |
| | <u>24,918,059</u> | <u>25,557,541</u> | <u>18,516,134</u> | <u>19,279,456</u> |



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Notes to Statements of Financial Position (cont'd)

Our conscientious efforts made in monitoring and collection of trade receivables balances has resulted in the decrease in the amount of trade receivables as at 30 June 2016. The trade receivables turnover days have remained relatively consistent for both reporting periods.

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

(7) Other receivables, deposits and prepayments comprise:

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$ | \$ | \$ | \$ |
| Other receivables * | 4,054,741 | 3,940,304 | 3,910,514 | 3,842,681 |
| Deposits | 366,115 | 423,534 | 67,938 | 67,385 |
| Prepayments | 1,351,572 | 1,185,774 | 258,069 | 213,473 |
| Advances to suppliers | 2,477,997 | 2,179,444 | 2,436,507 | 2,109,301 |
| Deposits for purchase of property, plant and equipment | 1,061,440 | 1,048,863 | 387,387 | 379,053 |
| Tax recoverable | 56,145 | 32,771 | - | - |
| | 9,368,010 | 8,810,690 | 7,060,415 | 6,611,893 |

* Other receivables as at 30 June 2016 consist of the outstanding amounts due from the purchasers of Kim Kang Aquaculture Sdn Bhd ("Purchasers"), a former subsidiary of the Group, of \$2,632,500 (31/12/15: \$2,632,500) and the advances extended by the Company to the said subsidiary before its disposal of \$1,087,500 (31/12/15: \$1,087,500), totalling \$3.72 million (31/12/15: \$3.72 million). These include overdue amounts of \$2.48 million (31/12/15: \$2.48 million) and amounts due in October 2016 of \$1.24 million. For the overdue amounts, the Purchasers had consented to transfer a piece of land parcel situated in Batu Pahat ("Property") to the Company to be sold, such that the Company is able to realise and receive the outstanding amounts out of the net sale proceeds of the Property. It has been agreed that the shortfall between the market value of the Property, based on an independent valuation exercise performed in December 2015, and the overdue amounts of \$2.48 million will be settled by December 2016 in 12 monthly instalments. As such, we do not foresee any collectability issue in relation to the receivables past due.

As at the reporting date, the Company is in the legal process of taking over the Property from the Purchasers as deemed partial repayment of the overdue amounts. The Company intends to dispose of the Property for cash upon the completion of the transfer. It will also explore the various alternatives in utilising the Property while awaiting for it to be disposed.

The higher amount of other receivables, deposits and prepayments balances as at 30 June 2016 was mainly due to:-

- increase in prepayments made as we have made payments for certain expenses at the beginning of the year. Such amounts will be charged to the statement of profit or loss throughout the current financial year.
- increase in advance payments made to suppliers for purchases made which are due for delivery in the coming quarters.



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Notes to Statements of Financial Position (cont'd)

- (8) The decrease in amount due from associate as at 30 June 2016 was mainly due to lower trade activities with the associate in the current quarter.
- (9) Other payables and accruals comprise:

| | Group | | Company | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$ | \$ | \$ | \$ |
| Accrued operating expenses | 357,651 | 400,843 | 271,648 | 316,555 |
| Accrued staff costs | 1,034,819 | 1,198,177 | 577,869 | 771,872 |
| Other payables | 1,764,193 | 2,054,809 | 1,554,322 | 1,840,129 |
| Advance received from customers | 220,009 | 466,838 | 145,517 | 222,343 |
| | 3,376,672 | 4,120,667 | 2,549,356 | 3,150,899 |

The decrease in other payables and accruals as at 30 June 2016 was mainly due to the decrease in amounts due to non-trade suppliers and the reduction of accrued staff costs as a result of bonus payment made in January 2016.

1(b)(ii) **GROUP BORROWINGS**

| | Group | | Company | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| | \$ | \$ | \$ | \$ |
| Non-current liabilities | | | | |
| Finance lease liabilities | 137,872 | 141,535 | - | 824 |
| | 137,872 | 141,535 | - | 824 |
| Current liabilities | | | | |
| Term loans | | | | |
| - short-term (unsecured) | 13,500,000 | 13,500,000 | 13,500,000 | 13,500,000 |
| - long-term (secured) | 172,032 | 212,160 | - | - |
| Bills payable to banks (unsecured) | 599,437 | 580,308 | 392,023 | 452,922 |
| Finance lease liabilities | 148,308 | 134,825 | 9,153 | 18,331 |
| | 14,419,777 | 14,427,293 | 13,901,176 | 13,971,253 |
| Total borrowings | 14,557,649 | 14,568,828 | 13,901,176 | 13,972,077 |

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.70% to 2.20% (31/12/2015: 1.875% to 2.30%) per annum and are repayable within the next 12 months from the reporting date.

The long-term loan is a bank loan of Baht 8.0 million, 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.

As at 30 June 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).



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1(c) **STATEMENT OF CASH FLOWS**
FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2016

| | <u>Group</u> | | <u>Group</u> | |
|---|------------------------------|------------------|------------------------------|------------------|
| | <u>3 months ended 30 Jun</u> | <u>2015</u> | <u>6 months ended 30 Jun</u> | <u>2015</u> |
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Cash flows from operating activities | | | | |
| Profit before tax | 23,158 | 78,926 | 25,334 | 331,895 |
| Adjustments for: | | | | |
| Bad trade receivables written off | 6,100 | 17,324 | 21,973 | 32,331 |
| Depreciation of | | | | |
| - property, plant and equipment | 409,266 | 344,881 | 789,540 | 706,015 |
| - brooder stocks | 47,375 | 47,375 | 94,750 | 94,750 |
| Gain on disposal of property, plant and equipment | (9,387) | (29,595) | (25,064) | (34,059) |
| Property, plant and equipment written off | 5,420 | - | 5,420 | - |
| Change in fair value less estimated point-of-sale costs of breeder stocks | - | - | - | 8,600 |
| Allowance for (Write back of allowance for) | | | | |
| - doubtful trade receivables | 23,741 | 6,952 | 92,053 | 143,544 |
| - inventory obsolescence | - | - | (17,000) | (50,000) |
| Share of losses (profits) of associate | 6,637 | (11,530) | 18,334 | (23,394) |
| Interest expense | 86,850 | 75,076 | 177,196 | 140,314 |
| Interest income | (4,232) | (2,386) | (5,141) | (3,379) |
| Operating profit before working capital changes | 594,928 | 527,023 | 1,177,395 | 1,346,617 |
| (Increase) Decrease in: | | | | |
| Inventories | (116,010) | (6,487) | (201,140) | (683,488) |
| Breeder stocks | (3,900) | 500 | (11,400) | 2,300 |
| Trade receivables | 224,565 | (16,625) | 400,452 | 382,658 |
| Other receivables, deposits and prepayments | (131,422) | 81,547 | (520,492) | 129,534 |
| Due from associate (trade) | (84,415) | (219,512) | 76,877 | (99,681) |
| Increase (Decrease) in: | | | | |
| Trade payables | 304,047 | (178,515) | 267,260 | 354,643 |
| Bills payable to banks | 5,586 | 230,734 | 15,612 | 255,779 |
| Other payables and accruals | (124,441) | 68,755 | (396,544) | (626,369) |
| Cash generated from operating activities | 668,938 | 487,420 | 808,020 | 1,061,993 |
| Tax paid | (134,680) | (133,210) | (148,125) | (175,913) |
| Net cash from operating activities | 534,258 | 354,210 | 659,895 | 886,080 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (400,543) | (354,527) | (967,469) | (943,215) |
| Proceeds from disposal of property, plant and equipment | 13,045 | 29,550 | 28,722 | 35,130 |
| Interest received | 4,232 | 2,386 | 5,141 | 3,379 |
| Net cash used in investing activities | (383,266) | (322,591) | (933,606) | (904,706) |



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1(c) **STATEMENT OF CASH FLOWS**
FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

| | <u>Group</u> | | <u>Group</u> | |
|---|------------------------------|------------------|------------------------------|------------------|
| | <u>3 months ended 30 Jun</u> | <u>2015</u> | <u>6 months ended 30 Jun</u> | <u>2015</u> |
| | \$ | \$ | \$ | \$ |
| Cash flows from financing activities | | | | |
| Repayment of | | | | |
| - finance lease liabilities | (40,812) | (35,294) | (81,085) | (72,224) |
| - bank term loans | (18,480) | (17,904) | (36,864) | (38,208) |
| Payment of dividends to | | | | |
| - owners of the Company | (227,052) | (454,106) | (227,052) | (454,106) |
| - non-controlling interests | - | (79,600) | - | (79,600) |
| Interest paid | (90,198) | (75,076) | (177,344) | (139,573) |
| Net cash used in financing activities | (376,542) | (661,980) | (522,345) | (783,711) |
| Net decrease in cash and cash equivalents | (225,550) | (630,361) | (796,056) | (802,337) |
| Cash and cash equivalents at beginning of period | 7,181,218 | 8,492,535 | 7,771,930 | 8,557,302 |
| Effect of exchange rate changes | | | | |
| on cash balances held in foreign currencies | (36,999) | (140,404) | (57,205) | (33,195) |
| Cash and cash equivalents at end of period | 6,918,669 | 7,721,770 | 6,918,669 | 7,721,770 |

Notes to Statement of Cash Flows

The decrease in **net cash from operating activities** for the 1st half of 2016 as compared to its corresponding period in 2015 was mainly due to lower profit generated during the period. In addition, our conscientious efforts made in realising the trade receivables balances with third parties and an associate into cash were deployed into inventory purchases and utilised as advance payments to suppliers, as well as for the settlement of other payables and accruals during the 1st half of 2016.

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

Net cash used in financing activities was mainly related to the settlement of bank term loans and finance lease liabilities on a monthly basis, as well as the servicing of interest payments. In addition, there was payment of dividends made to the equity holders of the Company in April 2016.



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

| Group | Attributable to owners of the Company | | | Total | Non-Controlling interests | Total Equity |
|---|---------------------------------------|-------------------|---------------------|------------|---------------------------|--------------|
| | Share capital | Retained earnings | Translation reserve | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 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 period | | | | | | |
| Profit for the period | - | 26,880 | - | 26,880 | 124,148 | 151,028 |
| Other comprehensive income | | | | | | |
| Foreign currency translation differences for foreign operations, net of tax | - | - | (89,940) | (89,940) | (25,046) | (114,986) |
| Total other comprehensive income | - | - | (89,940) | (89,940) | (25,046) | (114,986) |
| Total comprehensive income for the period | - | 26,880 | (89,940) | (63,060) | 99,102 | 36,042 |
| 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 30 Jun 2016 | 30,772,788 | 18,768,841 | (1,159,049) | 48,382,580 | 1,734,188 | 50,116,768 |



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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 period | | | | |
| Loss for the period | - | (34,039) | - | (34,039) |
| Other comprehensive income | | | | |
| Foreign currency translation differences for foreign operations, net of tax | - | - | 35,119 | 35,119 |
| Total other comprehensive income | - | - | 35,119 | 35,119 |
| Total comprehensive income for the period | - | (34,039) | 35,119 | 1,080 |
| 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 30 Jun 2016 | 30,772,788 | 11,134,823 | (6,708) | 41,900,903 |

1(d)(ii) **CHANGES IN COMPANY'S SHARE CAPITAL**

| Share capital | Number of shares | \$ |
|--|------------------|------------|
| Ordinary shares issued and fully paid | | |
| Balance as at 1 Jan 2016 and 30 Jun 2016 | 113,526,467 | 30,772,788 |

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 30 June 2016 (30/6/2015: Nil).

The Company did not hold any treasury shares as at 30 June 2016 (30/6/2015: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 30 June 2016.



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1(e) **NEGATIVE ASSURANCE CONFIRMATION ON INTERIM FINANCIAL RESULTS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL**

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the second quarter and six months ended 30 June 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors

KENNY YAP KIM LEE
Executive Chairman and
Managing Director

ALVIN YAP AH SENG
Deputy Managing Director

Singapore
19 July 2016

1(f) **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.

2 **AUDIT**

The financial statements have not been audited or reviewed by the Company’s auditors.

3 **AUDITORS’ REPORT**

Not applicable

4 **ACCOUNTING POLICIES**

Other than the adoption of the new and revised Financial Reporting Standards (FRSs) which took effect from the current financial year, 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**

The adoption of the new and revised FRSs is assessed to have no material impact to the results of the Group and of the Company for the year ending 31 December 2016.

6 **EARNINGS PER ORDINARY SHARE (EPS)**

| | <u>Group</u> | | <u>Group</u> | |
|---|------------------------------|-------------|------------------------------|-------------|
| | <u>3 months ended 30 Jun</u> | | <u>6 months ended 30 Jun</u> | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Earnings Per Ordinary Share (based on consolidated net profit attributable to owners) | | | | |
| - on weighted average number of ordinary shares on issue (cents) | 0.01 | 0.01 | 0.02 | 0.11 |
| - on a fully diluted basis (cents) | 0.01 | 0.01 | 0.02 | 0.11 |



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6 **EARNINGS PER ORDINARY SHARE (EPS) (cont'd)**

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

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

7 **NET ASSET VALUE PER SHARE**

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2016 | 31 Dec 2015 | 30 Jun 2016 | 31 Dec 2015 |
| Net asset value per share based on existing issued share capital as at the respective dates (cents) | 44.15 | 44.31 | 36.91 | 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**

6 months 2016 vs 6 months 2015

| | Group | | Decrease | |
|-------------|------------------------------|---------------|-----------------|--------------|
| | 6 months ended 30 Jun | | \$'000 | % |
| | 2016 | 2015 | | |
| | \$'000 | \$'000 | \$'000 | % |
| Fish | 16,057 | 16,798 | (741) | (4.4) |
| Accessories | 17,250 | 18,405 | (1,155) | (6.3) |
| Plastics | 5,404 | 5,592 | (188) | (3.4) |
| | 38,711 | 40,795 | (2,084) | (5.1) |

For the 6 months ended 30 June 2016, the ornamental fish and accessories activities continued to be our core business segments, which together accounted for approximately 86.0% of the total revenue. Our revenue decreased by approximately \$2.1 million or 5.1% from \$40.8 million for the 6 months ended 30 June 2015 to \$38.7 million for the 6 months ended 30 June 2016.

On a geographical basis, revenue from Singapore grew by 3.9% while revenue from overseas dipped by approximately 8.5% in the 1st half 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)

2Q 2016 vs 2Q 2015

| | Group | | Decrease | |
|-------------|---------------|---------------|--------------|--------------|
| | 2Q 2016 | 2Q 2015 | \$'000 | % |
| Fish | 7,649 | 7,770 | (121) | (1.6) |
| Accessories | 8,749 | 9,389 | (640) | (6.8) |
| Plastics | 2,702 | 2,867 | (165) | (5.8) |
| | <u>19,100</u> | <u>20,026</u> | <u>(926)</u> | <u>(4.6)</u> |

Our overall revenue decreased by approximately \$0.9 million or 4.6% in the 2nd quarter of 2016 as compared to its corresponding period in 2015. All business segments registered a reduction in revenue contribution during the current quarter.

Fish

The reduction in our ornamental fish revenue by approximately \$0.1 million or 1.6% in the 2nd quarter of 2016, as compared to its corresponding period in 2015, was mainly due to the slowing down in the demand of Dragon Fish from the China domestic market as its economy endures to struggle amid continuing uncertainties. In addition, since mid-June 2016, heavy rainfall in the Central and Southern China has resulted in a worst bout of flooding which spread across several provinces, bringing widespread disruption to business activities in the country. Our domestic distribution activities in China drew to a halt during the prolonged period of drenching rain, which has a negative impact on the revenue of ornamental fish.

In order to mitigate these setbacks, moving forward, we will strive 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, while awaiting market conditions to improve in order to seize the opportunities when relevant.

Accessories

The dip in revenue from our accessories business by approximately \$0.6 million or 6.8% from \$9.3 million in the 2nd quarter of 2015 to \$8.7 million in the current quarter was mainly a result of difference in sales mix, coupled with a change in purchasing patterns of two of our major export customers since the beginning of the current financial year.

Plastics

Revenue from our plastics activities registered a reduction of approximately \$0.2 million or 5.8% in 2nd quarter of 2016 as compared to its corresponding period in 2015, mainly due to the softening of demand from the domestic market since the beginning of 2016. We managed to focus on generating revenue through selling products with sustainable margins instead of entering into price war with our competitors.



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

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

2Q 2016 vs 1Q 2016

| | Group | | Increase | |
|-------------|---------------|---------------|-------------------|--------------|
| | 2Q | 1Q | (Decrease) | |
| | 2016 | 2016 | \$'000 | % |
| | \$'000 | \$'000 | | |
| Fish | 7,649 | 8,408 | (759) | (9.0) |
| Accessories | 8,749 | 8,501 | 248 | 2.9 |
| Plastics | 2,702 | 2,702 | - | - |
| | 19,100 | 19,611 | (511) | (2.6) |

Although the revenue from our accessories activities registered stable quarter-on-quarter growth, the slide in our ornamental fish revenue by approximately \$0.8 million or 9.0% had resulted in a reduction in revenue by \$0.5 million or 2.6% in the current quarter as compared to the previous quarter.

Fish

Moving into 2nd quarter of 2016, we saw a reduction in our ornamental fish revenue contribution by approximately \$0.8 million or 9.0% as compared to the previous quarter. Other than the business activities in China which were hit by its subdued economy and the prolonged heavy downpour since mid-June as mentioned earlier, the UEFA European Championship football tournament held in June to July this year had also affected the export of our ornamental fish to many countries over the world as it has been the norm that consumers do not actively make ornamental fish related purchases during the duration of the tournament.

Accessories

Traditionally, during the 1st quarter of each year, revenue contribution is lower from our China operations as they are closed for operations during the week-long Chinese New Year holidays. This had attributed to the lower accessories revenue in the previous quarter. In the current quarter, our accessories export business continued its leverage on the Group's existing overseas distribution bases & network and infrastructure available to explore more untapped markets with growth potential, which had resulted in an increase in revenue contribution registered by this business segment of approximately \$0.2 million or 2.9% in the current quarter as compared to the previous quarter.

Plastics

Revenue from plastics business remained consistent in the current quarter, comparable to that of the previous quarter in 2016.



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

(b) **Profitability**

6 months 2016 vs 6 months 2015

| | Group | | Increase (Decrease) | |
|--------------------------------|------------------------------|-------------|--------------------------------|---------------|
| | 6 months ended 30 Jun | | | |
| | 2016 | 2015 | \$'000 | % |
| Fish | 449 | 396 | 53 | 13.4 |
| Accessories | 315 | 692 | (377) | (54.5) |
| Plastics | 413 | 385 | 28 | 7.3 |
| Unallocated corporate expenses | (1,152) | (1,141) | (11) | (1.0) |
| | 25 | 332 | (307) | (92.5) |

In line with the lower revenue contribution registered, our operating profit decreased by \$0.3 million or 92.5% for the 6 months ended 30 June 2016 compared to its corresponding period in 2015, mainly due to the significant reduction in profit generated from our accessories business.

2Q 2016 vs 2Q 2015

| | Group | | Increase (Decrease) | |
|--------------------------------|--------------|-------------|--------------------------------|---------------|
| | 2Q | | | |
| | 2016 | 2015 | \$'000 | % |
| Fish | 173 | 84 | 89 | 106.0 |
| Accessories | 223 | 367 | (144) | (39.2) |
| Plastics | 190 | 204 | (14) | (6.9) |
| Unallocated corporate expenses | (563) | (576) | 13 | 2.3 |
| | 23 | 79 | (56) | (70.9) |

Despite the improvement in profit contribution from our ornamental fish business, the reduction in operating profit generated from the accessories business segment has slashed the profitability registered in the 2nd quarter of 2016 as compared to its corresponding period in 2015.

Fish

The increase in profitability despite a reduction in revenue registered by the ornamental fish business in the 2nd quarter of 2016 as compared to its corresponding period in 2015 was a result of the difference in sales mix, coupled with the reliance and resilient of our ornamental fish export business, which continued to turn in stable revenue and generate respectable profit margins.

Accessories

The shrink in operating profit of our accessories business in the current quarter as compared to the corresponding period in 2015 was mainly due to lower revenue contribution, as well as our on-going efforts to capture more sales, which had sliced off the profit margin of our accessories business in the current quarter.

Plastics

The lower revenue registered by the plastic business in the current quarter, coupled with difference in sales mix recorded in both periods had given rise to the reduction in profit contribution in the 2nd quarter of 2016, as compared to the corresponding period in 2015.

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.



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

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

2Q 2016 vs 1Q 2016

| | Group | | Increase (Decrease) | |
|--------------------------------|--------------------|--------------------|--------------------------------|----------|
| | 2Q 2016 | 1Q 2016 | \$'000 | % |
| Fish | 173 | 276 | (103) | (37.3) |
| Accessories | 223 | 92 | 131 | 142.4 |
| Plastics | 190 | 223 | (33) | (14.8) |
| Unallocated corporate expenses | (563) | (589) | 26 | 4.4 |
| | <u>23</u> | <u>2</u> | <u>21</u> | 1,050.0 |

Fish

The decline in profitability from our ornamental fish business in the 2nd quarter of 2016 as compared to the previous quarter was in line with the lower revenue contribution due to reasons mentioned earlier.

Accessories

The better profit yielded from our accessories activities were in accordance with the steady increase in revenue from 1st quarter 2016 to 2nd quarter of 2016.

Plastics

Despite the constant revenue contribution, the lower profit registered from our plastics business in the 2nd quarter of 2016 as compared to the previous quarter was mainly due to the receipt of a payout under the wage credit scheme in March 2016 (1Q 2016).

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

The prospects of our Group are:

- to be the world's Number 1 ornamental fish exporter;
- to improve productivity using technology and automation;
- to widen our distribution network and strengthen our market capability;
- to reinforce our commitment in research & development ("R&D") and enhance growth by means of innovation; and
- to build a company that last through generations.

The above-mentioned prospects of the Group were announced in detail in our Full Year Financial Statements and Dividend Announcement dated 12 January 2016.



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10 PROSPECTS (cont'd)

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

Our Group expects challenging market conditions to persist, plagued by the volatility of the regional and international currencies. We will continue to drive the necessary transformation and adjustments, focusing on selling higher margin products and managing our overheads and other operating costs in order to improve our operating performance.

11 DIVIDEND

No interim dividend for the quarter ended 30 June 2016 is recommended.

12 INTERESTED PERSON TRANSACTIONS

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

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

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------------|--------------------|--------------------|--------------------|
| | <u>30 Jun 2016</u> | <u>30 Jun 2015</u> | <u>30 Jun 2016</u> | <u>30 Jun 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 * | 20,200 | 21,600 | 20,200 | 21,600 |
| 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 second quarter and the six months ended 30 June 2016.



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13 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.

| Group | 6 months ended 30 Jun 2016 | | | | |
|---|----------------------------|-----------------------|--------------------|------------------|-----------------|
| | Fish \$'000 | Accessories \$'000 | Plastics \$'000 | Others \$'000 | Total \$'000 |
| Revenue | | | | | |
| External revenue | 16,057 | 17,250 | 5,404 | - | 38,711 |
| Inter-segment revenue | 1,127 | 2,446 | 83 | (3,656) | - |
| Total Revenue | 17,184 | 19,696 | 5,487 | (3,656) | 38,711 |
| Results | | | | | |
| EBITDA * | 1,004 | 605 | 495 | (1,005) | 1,099 |
| Depreciation and amortisation | (550) | (254) | (80) | - | (884) |
| Interest expense | (9) | (19) | (2) | (147) | (177) |
| Interest income | 4 | 1 | - | - | 5 |
| | 449 | 333 | 413 | (1,152) | 43 |
| Share of losses of associate | - | (18) | - | - | (18) |
| Profit before tax | 449 | 315 | 413 | (1,152) | 25 |
| Tax credit (expense) | 52 | 99 | (25) | - | 126 |
| Profit for the period | 501 | 414 | 388 | (1,152) | 151 |
| Net profit margin | 3.1% | 2.4% | 7.2% | | 0.4% |
| Assets and Liabilities | | | | | |
| Segment assets | 30,910 | 36,584 | 4,055 | 3,270 | 74,819 |
| Investment in associate | - | 289 | - | - | 289 |
| Segment liabilities | 4,258 | 4,652 | 1,988 | 13,804 | 24,702 |
| Other Segment Information | | | | | |
| Expenditures for non-current assets ** | 571 | 203 | 282 | - | 1,056 |
| Other non-cash items: | | | | | |
| Bad trade receivables written off | 11 | 11 | - | - | 22 |
| Gain on disposal of property, plant and equipment | (4) | (9) | (12) | - | (25) |
| Property, plant and equipment written off | - | 5 | - | - | 5 |
| Allowance for (Write back of allowance for) | | | | | |
| - doubtful trade receivables | 53 | 37 | 2 | - | 92 |
| - 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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13 **SEGMENT INFORMATION (cont'd)**

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

| Group | 6 months ended 30 Jun 2015 | | | | |
|---|----------------------------|-----------------------|--------------------|------------------|-----------------|
| | Fish \$'000 | Accessories \$'000 | Plastics \$'000 | Others \$'000 | Total \$'000 |
| Revenue | | | | | |
| External revenue | 16,798 | 18,405 | 5,592 | - | 40,795 |
| Inter-segment revenue | 843 | 3,544 | 142 | (4,529) | - |
| Total Revenue | 17,641 | 21,949 | 5,734 | (4,529) | 40,795 |
| Results | | | | | |
| EBITDA * | 899 | 929 | 449 | (1,030) | 1,247 |
| Depreciation and amortisation | (490) | (248) | (63) | - | (801) |
| Interest expense | (15) | (13) | (1) | (111) | (140) |
| Interest income | 2 | 1 | - | - | 3 |
| | 396 | 669 | 385 | (1,141) | 309 |
| Share of profit of associate | - | 23 | - | - | 23 |
| Profit before tax | 396 | 692 | 385 | (1,141) | 332 |
| Tax expense | (76) | (21) | - | - | (97) |
| Profit for the period | 320 | 671 | 385 | (1,141) | 235 |
| Net profit margin | 1.9% | 3.6% | 6.9% | | 0.6% |
| Assets and Liabilities | | | | | |
| Segment assets | 31,314 | 38,053 | 3,647 | 3,044 | 76,058 |
| Investment in associate | - | 377 | - | - | 377 |
| Segment liabilities | 4,873 | 5,577 | 1,652 | 13,380 | 25,482 |
| Other Segment Information | | | | | |
| Expenditures for non-current assets ** | 597 | 345 | 84 | - | 1,026 |
| Other non-cash items: | | | | | |
| Bad trade receivables written off | 23 | 9 | - | - | 32 |
| Gain on disposal of property, plant and equipment | - | (31) | (3) | - | (34) |
| Allowance for (Write back of allowance for) | | | | | |
| - doubtful trade receivables | 137 | 7 | - | - | 144 |
| - inventory obsolescence | - | (50) | - | - | (50) |
| Change in fair value less estimated point-of-sale costs of breeder stocks | | | | | |
| | 9 | - | - | - | 9 |

(b) **Geographical segments**

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

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



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

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

| Group | Revenue | | Segment non-current assets | | Segment assets | |
|-----------------------|-----------------------|---------------|----------------------------|---------------|-----------------------|---------------|
| | 6 months ended 30 Jun | | 6 months ended 30 Jun | | 6 months ended 30 Jun | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Singapore | 11,625 | 11,190 | 13,528 | 15,375 | 52,830 | 54,630 |
| Other Asian countries | 19,623 | 21,012 | 3,058 | 2,669 | 21,700 | 21,051 |
| Europe | 4,363 | 4,967 | 289 | 377 | 289 | 377 |
| Others | 3,100 | 3,626 | - | - | - | - |
| Total | 38,711 | 40,795 | 16,875 | 18,421 | 74,819 | 76,058 |

(c) **Major customers**

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

14 **BREAKDOWN OF REVENUE**

| Group | Fish \$'000 | Accessories \$'000 | Plastics \$'000 | Total \$'000 |
|---|----------------|-----------------------|--------------------|-----------------|
| 2Q 2016 | | | | |
| Singapore (including domestic sales & sales to Singapore) | 1,038 | 2,018 | 2,665 | 5,721 |
| Overseas (including export to & sales in overseas) | 6,611 | 6,731 | 37 | 13,379 |
| Total revenue | 7,649 | 8,749 | 2,702 | 19,100 |
| 2Q 2015 | | | | |
| Singapore | 974 | 1,934 | 2,733 | 5,641 |
| Overseas | 6,796 | 7,455 | 134 | 14,385 |
| Total revenue | 7,770 | 9,389 | 2,867 | 20,026 |
| 6 months ended 30 Jun 2016 | | | | |
| Singapore (including domestic sales & sales to Singapore) | 2,177 | 4,145 | 5,303 | 11,625 |
| Overseas (including export to & sales in overseas) | 13,880 | 13,105 | 101 | 27,086 |
| Total revenue | 16,057 | 17,250 | 5,404 | 38,711 |
| 6 months ended 30 Jun 2015 | | | | |
| Singapore | 1,974 | 3,761 | 5,455 | 11,190 |
| Overseas | 14,824 | 14,644 | 137 | 29,605 |
| Total revenue | 16,798 | 18,405 | 5,592 | 40,795 |

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
19 July 2016