Building Our
BRANDS
Making Our Mark

QIAN HU 仟湖

QIAN HU CORPORATION LIMITED
ANNUAL REPORT 2016

Contents

Mission

By focusing on technology, innovation and quality, we aim to be the most value-adding and productive Ornamental Fish, Aquarium & Pet Accessories, and Aquaculture provider.

Vision

1. To be the world's number 1 ornamental fish exporter
2. To breed Dragon Fish of the highest value
3. To establish our "Ocean Free" and "OF" brands as the most recognisable amongst Aquarium Accessories brands in Asia
4. To be an innovative technology company
5. To produce sustainable edible fish, that are free of chemicals, for the benefit of our consumers and the environment

Building Our Brands Making Our Mark

As we look towards the next lap of growth, we are focused on new ways to build on the strength of our brands in the markets where we operate.

Our brands form the backbone of our larger business ecosystem, and many of them have been painstakingly built over the last few decades. Our efforts to realign and refresh our brand strategies, coupled with our inroads into e-commerce platforms this year, will anchor us for the journey ahead.

Armed with our experience, local knowledge, brand legacy and technological innovation, we are well geared to make our mark as we take on the challenges ahead and evolve into a future-ready company.

OUR BRANDS MATTERS TO US

Our brands make us who we are, and represent our promise to our stakeholders. Brands determine the basis of all our operations, and how we function as a cutting-edge company. Our brands influence how we market, how we sell, how we develop products, and the thinking behind our technology.

Similarly, they play a key role in how we speak to our retailers, consumers, and how we reflect our own corporate culture internally amongst our most important advocates – our employees. Products may come and go, but our brands remain at the heart of all that we have built over the years.

FUNCTION	AUDIENCES
Products R&D/innovation Marketing E-Commerce Sales	Employees Retailers Consumers

OF
Hydra Nano Plus Aquatic Depurator

OF
Fish Feed

REVOREEF
Marine Salt

OF
Insta Fresh Premium Cyclops

REVOREEF
Herbal Health
Conditioner

OF
Hydra Steam System

OF
Vultron Air Pump

About Us

We have been pioneering the integrated ornamental fish business since 1998 with a full spectrum of services.

We distribute a wide number of species and varieties of ornamental and aquarium fish from all over the world, and offer a comprehensive range of well-loved aquarium and pet accessories.

Listed on the Mainboard of the SGX-ST since 2000, Qian Hu has been celebrated over the years for its ongoing commitment towards corporate transparency and governance, investor relations, as well as sustainability reporting.

Our Business Model

ORNAMENTAL FISH	ACCESSORIES	PLASTICS	RETAIL
• Breeding of Dragon Fish, and farming, importing, exporting and distributing ornamental fish • Singapore's top global exporter of ornamental fish	• Export of aquarium and pet accessories • Domestic distribution through hubs in Singapore, Malaysia, Thailand and China	• Produces plastic bags for a wide variety of industrial uses • Owns & operates a plastics manufacturing facility in Singapore	• Integrated approach to all core products plus value-added services through retail chain stores in Malaysia, Thailand and China • Complemented by latest e-commerce platforms to meet online shopping demands

SGX

16 years as a Singapore-listed company

12 well-loved Brands

BRANDS

Over 1,000 species and varieties of ornamental fish

More than 3,000 accessories products

550 employees across 6 markets

Legacy

Incorporated in
1998
and listed in
Singapore since
2000

Long-standing experience
as an integrated provider of ornamental fish, fish accessories and pet accessories

Innovation

Proprietary R&D capabilities which enable us to develop
new, revolutionary products

Continuous pursuit of new opportunities in technology and related-businesses to unlock more value to our stakeholders

Award-Winning

Widely recognised for best practices in corporate transparency and governance – garnered awards in Best Managed Board, Most Transparent Company, Chief Financial Officer of the Year, Best Investor Relations, Best Annual Report categories

Only listed company to have bagged the most number of Singapore Corporate Awards since 2006
13 in total
(8 Gold Awards, 2 Bronze Awards, 2 Merit Awards, 1 Best CFO Award)

More than
50
awards
garnered since 2001

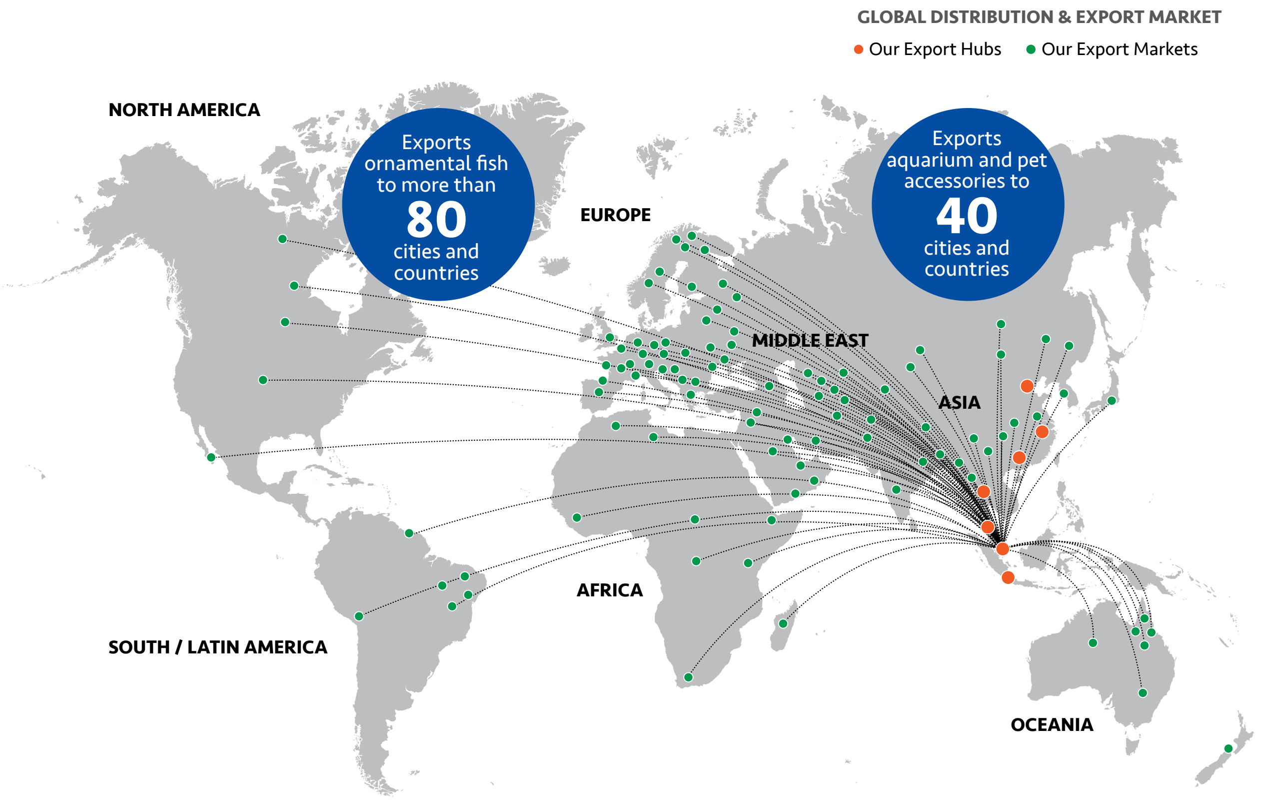
Strength

4 key businesses –
ornamental fish, accessories, plastics and retail –
offers diverse income streams

Unique and resilient business model with
innovation
and creativity at our core

Enjoys robust
distribution network
and strong partnerships with retailers across key markets

Our Global Footprint



29% of Group Revenue

SINGAPORE

- Our home market
- Extensive global distribution network and established domestic customer base
- Leading ornamental fish and aquarium accessories distributor

51% of Group Revenue

ASIA

- Incorporated subsidiaries in Malaysia, China, Thailand and Indonesia as export hubs and domestic distributors
- More than 200 distribution points across various cities in China
- Other major customers' presence in India, Japan, Philippines, Taiwan, Korea and the Middle East countries
- Biggest ornamental fish distributor in Thailand

11% of Group Revenue

EUROPE

- Invested interest in an associate in the United Kingdom
- Exporting from our five export hubs in Asia to major customers in Turkey, Russia, United Kingdom, France, Spain and the Netherland

9% of Group Revenue

REST OF THE WORLD

- Growth in revenue contribution from the USA, Canada and Australia

What Sets Us Apart

We operate in a unique industry

We are a one-of-a-kind company operating in an exciting, fast-paced industry,

which opens up possibilities as far as our imagination will take us

Being in this position invites us to always stretch our capabilities and create even better experiences for our customers

We are always creating, and always curious

Innovation has always been our passion, and we devote ourselves to being curious all the time

R&D is a key part of our business strategy,

and we believe our investment in creating new and better products leads us to keep improving

We focus on our stakeholders

Whether it is our customers, retailers, investors, regulators or shareholders,

we focus on their needs and what is important to them

We take all feedback seriously, and this drives us to evolve, adapt, and do better every day

We are committed to our employees

Our Qian Hu family is pivotal to our success

They are our most valuable assets,

and we believe in nurturing their skills, growing their capabilities, and unlocking their potential

We have a recognised Brand legacy

We are long-timers in this industry, and our brand survey has told us that we are well regarded as an

international brand in the markets where we operate

We believe the breadth and depth of the businesses that we have built will lay a solid foundation that will enable us to serve our customers even better

Letter from the Chairman

Dear bosses,

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 utilising 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 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.

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.

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 premium quality products such as fish food, tanks, and medication; as well as Hydra, our range of depurating 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 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 filters powered by our revolutionary Hydro-Pure Technology, and working on the first-ever OF water pumps.

At the same time, we expanded our electrical accessories range with new pump and lighting accessories under our Aqua Zonic 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 outlined on page 32, 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, and I look forward to seeing you at our Annual General Meeting.

Kenny The Fish
Executive Chairman & Managing Director

主席的信

各位老板们：

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集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良好的口碑及形象。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，我们的品牌例如OF和傲深，以优良的营养鱼饲料、水缸及药物而闻名。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人化服务体验。

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（Aqua Zonic）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）也添加了新的水缸及水族器材。

我们在2016年年报里阐述仟湖2017年的策略时提到了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助提升集团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，我非常感谢股东们赋予仟湖毫不动摇的信心及支持。期待在常年股东大会上再次与大家会面。

叶金利
执行主席兼总裁

Group Structure

DIVISIONS

Qian Hu Fish Farm Trading

Yi Hu Fish Farm Trading

Wan Hu Fish Farm Trading

ASSOCIATE

20%
Arcadia Products PLC
8 io Centre, Salbrook Road,
Redhill RHI 5GJ,
United Kingdom

SUBSIDIARIES

100%
Qian Hu Tat Leng Plastic Pte Ltd
2 Woodlands Sector
#03-35,
Woodlands Spectrum,
Singapore 738068

100%
Qian Hu Aquarium and Pets (M) Sdn Bhd
Block E, Lot 6212,
Kg. Baru Balakong
43300 Balakong, Selangor
Darul Ehsan, Malaysia

74%
Qian Hu Marketing Co Ltd
30/23 Moo 8, Klongnung,
Klongluang, Pathumthani,
12120 Thailand

100%
Beijing Qian Hu Aquarium and Pets Co., Ltd
Dong Fish Farm,
Bei Ma Fang Village,
Jinzhang Town,
Chao Yang District,
Beijing, China

90%
P.T. Qian Hu Joe Aquatic Indonesia
JL. Raya Brantamulya Tengsaw
No. 9 Tarik Kolot,
Kecamatan Citeureup Bogor
Indonesia 16810

100%
Qian Hu The Pet Family (M) Sdn Bhd
Block E, Lot 6212,
Kg. Baru Balakong
43300 Balakong, Selangor
Darul Ehsan, Malaysia

60%
Thai Qian Hu Company Limited
30/25 Moo 8,
Klongnung,
Klongluang, Pathumthani,
12120 Thailand

100%
Shanghai Qian Hu Aquarium and Pets Co., Ltd
No 165, Pingle Road,
Huacao Town,
Minhang District,
Shanghai, China

100%
Qian Hu Development Sdn Bhd
Block E, Lot 6212,
Kg. Baru Balakong
43300 Balakong, Selangor
Darul Ehsan, Malaysia

60%
Advance Aquatic Co Ltd
30/24 Moo 8,
Klongnung,
Klongluang, Pathumthani,
12120 Thailand

100%
Guangzhou Qian Hu OF Feed Co., Ltd
Li Hong Road Bi Village
Dong An Industrial Park
Guangdong Province
People's Republic of China

49%
NNTL (Thailand) Limited
30/23 Moo 8, Klongnung,
Klongluang, Pathumthani,
12120 Thailand
(The Group has voting control at general meetings and Board meetings)

100%
Guangzhou Qian Hu Aquarium and Pets Co., Ltd
Block A4, Cha Jiao Road,
Xin Cai Liao Science and
Technology Park, 2nd floor,
Li Wan District,
Guangzhou, China

51%
Qian Hu Aquaculture (Hainan) Co., Ltd
Yan Dun Wen Yuan Village
Hui Wen Town
Wen Chang City
Hainan, China

Corporate Information

BOARD OF DIRECTORS
Kenny Yap Kim Lee
(Executive Chairman and Managing Director)
Alvin Yap Ah Seng
Andy Yap Ah Siong
Lai Chin Yee
Tan Tow Ee
Chang Weng Leong
Sharon Yeoh Kar Choo
Ling Kai Huat

AUDIT COMMITTEE
Tan Tow Ee *(Chairman)*
Chang Weng Leong
Sharon Yeoh Kar Choo
Ling Kai Huat

NOMINATING COMMITTEE
Sharon Yeoh Kar Choo *(Chairman)*
Chang Weng Leong
Ling Kai Huat

REMUNERATION COMMITTEE
Chang Weng Leong *(Chairman)*
Tan Tow Ee
Sharon Yeoh Kar Choo

RISK MANAGEMENT COMMITTEE
Tan Tow Ee *(Chairman)*
Kenny Yap Kim Lee
Lai Chin Yee

COMPANY SECRETARY
Lai Chin Yee

REGISTERED OFFICE
No. 71 Jalan Lekar
Singapore 698950
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Fax: (65) 6766 3995
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SHARE REGISTRAR
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

AUDITORS
KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

PARTNER-IN-CHARGE
Kum Chew Foong
(Appointed in Financial Year 2012)

PRINCIPAL BANKERS
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited
Malayan Banking Berhad
CIMB Bank Berhad
Bank Of China

INVESTOR RELATIONS
Kenny Yap Kim Lee
kenny_yap@qianhu.com

Ho See Kim
seekim@tishrei.sg

STOCK DATA
SGX code : BCV
Bloomberg code : QIAN:SP

Board of Directors

KENNY YAP KIM LEE, 51
EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR

First Class Honours degree in Business Administration, Ohio State University, USA

Fellow of the Singapore Institute of Directors

Date of first appointment as director	12 December 1998
Date of last re-appointment as director	19 March 2015
Length of services as director	18 years (as at 31 December 2016)

Served on the following Board Committees

• Executive Committee	Chairman
• Risk Management Committee	Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Founding member of Qian Hu
- Executive Chairman and Managing Director of the Group since 2000
- Corporate Governance Council – Council Member (2010-2012)

Awards

• Public Service Medal at the Singapore National Day Awards	2004
• Ernst & Young's Entrepreneur of the Year	2003
• Young Chinese Entrepreneur of the Year by Yazhou Zhoukan	2002
• One of the 50 Stars of Asia by Business Week	2001
• PSB/International Institute of Management's International Management Action Award	2000
• Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year	1999
• Singapore National Youth Award	1998

ALVIN YAP AH SENG, 51
DEPUTY MANAGING DIRECTOR

Diploma in Mechanical Engineering, Singapore Polytechnic

Date of first appointment as director	12 December 1998
Date of last re-appointment as director	23 March 2016
Length of services as director	18 years (as at 31 December 2016)

Served on the following Board Committees

• Executive Committee	Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Founding member of Qian Hu
- Oversees the Group's aquarium and pet accessories operations

Awards

• Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year	1999

ANDY YAP AH SIONG, 50
DEPUTY MANAGING DIRECTOR

Diploma in Business Studies, Ngee Ann Polytechnic

Date of first appointment as director	12 December 1998
Date of last re-appointment as director	18 March 2014
Length of services as director	18 years (as at 31 December 2016)

Served on the following Board Committees
- Executive Committee — Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Founding member of Qian Hu
- Oversees the Group's ornamental fish operations

Awards
- Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year — 1999

LAI CHIN YEE, 51
FINANCE DIRECTOR

Bachelor's degree in Accountancy, National University of Singapore

Fellow of the Institute of Singapore Chartered Accountants (ISCA)

Member of the Singapore Institute of Directors

Date of first appointment as director	1 November 2004
Date of last re-appointment as director	23 March 2016
Length of services as director	12 years (as at 31 December 2016)

Served on the following Board Committees
- Executive Committee — Member
- Risk Management Committee — Member

Present Directorships in other listed companies
- Ryobi Kiso Holdings Ltd
- Micro – Mechanics (Holdings) Ltd

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- China Sports International Limited

Background and experience
- Responsible for the Group's accounting, finance, treasury and tax functions
- Joined the Group in 2000 as Group Financial Controller before assuming the current position as Finance Director in 2004
- Was an auditor with international accounting firms since 1987
- Ministry of Finance's Tax Advisory Committee – Member (2004-2006)
- Council on Corporate Disclosure and Governance (CCDG) – Council Member (2006-2007)
- CFO Committee of ISCA – Member (2009-2012)

Awards
- Chief Financial Officer of the Year — 2009
  (Companies with less than $300 million in market capitalisation)

Board of Directors

TAN TOW EE, 54
LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Honours degree in Finance,
Ohio State University, USA

Date of first appointment as director	1 May 2002
Date of last re- appointment as director	23 March 2016
Length of services as director	14 years (as at 31 December 2016)

Served on the following Board Committees

• Audit Committee	Chairman
• Risk Management Committe	Chairman
• Remuneration Committee	Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Manages private funds and provides consultancy services
- More than 15 years working with international corporations as investment manager

CHANG WENG LEONG, 54
INDEPENDENT NON-EXECUTIVE DIRECTOR

Masters of Science degree in Mechanical Engineering, National University of Singapore

Registered Principal Auditor, Institute of Quality Assurance (IRCA UK)

Member of the Singapore Institute of Directors

Date of first appointment as director	18 October 2000
Date of last re- appointment as director	19 March 2015
Length of services as director	16 years (as at 31 December 2016)

Served on the following Board Committees

• Remuneration Committee	Chairman
• Audit Committee	Member
• Nominating Committee	Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Principal Consultant of Alchemy Business Consultants
- Many years of experience in quality management, environmental management, human resource and business management.

SHARON YEOH KAR CHOO, 58
INDEPENDENT NON-EXECUTIVE DIRECTOR

Associate Member of the Institute of Chartered Secretaries & Administrators, UK

Member of the Singapore Association of the Institute of Chartered Secretaries & Administrators (SAICSA)

Date of first appointment as director	17 September 2011
Date of last re- appointment as director	19 March 2015
Length of services as director	5 years (as at 31 December 2016)

Served on the following Board Committees

• Nominating Committee	Chairman
• Audit Committee	Member
• Remuneration Committee	Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Director of Corporate Secretarial Services at TMF Singapore H Pte. Ltd.
- More than 25 years of experience in the corporate secretarial industry
- Worked in Coopers & Lybrand Hong Kong and Coopers & Lybrand Singapore, Evatthouse Corporate Services Pte Ltd, M & C Services Private Limited and Corporate Alliance Pte. Ltd.

DR LING KAI HUAT, 68
INDEPENDENT NON-EXECUTIVE DIRECTOR

Doctor of Philosophy, National University of Singapore

Master of Aquaculture, University of the Philippines

Bachelor of Science in Biology, Nanyang University
Diploma in Aquaculture, Network of Aquaculture Centres in Asia (NACA)

Date of first appointment as director	1 August 2015
Date of last re- appointment as director	23 March 2016
Length of services as director	1 year (as at 31 December 2016)

Serves on the following Board Committees:

• Audit Committee	Member
• Nominating Committee	Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Senior Specialist of Agri-Veterinary Authority of Singapore (AVA) (2012 -2015)
- Head, Ornamental Fish Section of AVA (1991 – 2011)
- Curator, Van Kleef Aquarium (1973 - 1990)

Key Management

SINGAPORE

1 LEE KIM HWAT

Managing Director
Qian Hu Tat Leng Plastic Pte Ltd

Mr Lee has been overseeing and managing the operations and business development of Qian Hu Tat Leng for more than 20 years. He is responsible for the growth of the Group's plastics business.

2 BOB GOH NGIAN BOON

Senior Manager,
Regional Business Management

Mr Goh joined the Group in 2001. He was appointed General Manager of its Guangzhou factory in 2005 and was transferred to the Group's Beijing and Shanghai operations in August 2007 and January 2008 respectively to handle the day-to-day operations. With effect from January 2016, Mr Goh has been re-designated to supervise and handle the Group's regional business, focusing mainly in China and new markets. Prior to joining Qian Hu, Mr Goh was a Brand Manager and has managed several high profile international brands.

Mr Goh holds a diploma in Business Studies from Ngee Ann Polytechnic.

THAILAND/INDONESIA

3 JIMMY TAN BOON KIM

Managing Director
Thai Qian Hu Company Limited
Advance Aquatic Co Ltd
P.T. Qian Hu Joe Aquatic Indonesia

Mr Tan oversees the business operations and business development of the Group's ornamental fish business in Thailand and Indonesia. Prior to his current appointments, Mr Tan was the division head of Daudo division in Singapore, overseeing the import, export and wholesale of ornamental fish.

4 LOW ENG HUA

Managing Director
Qian Hu Marketing Co Ltd

Mr Low joined the Group in 2001 as its Group General Manager. Over the years, he was assigned to manage the Group's various overseas operations and projects in China, Thailand and India. At present, Mr Low is responsible for the business collaboration and development of the Group's Accessories business in Thailand. Prior to joining the Group, Mr Low worked in Engage Electronics (S) Pte Ltd from 1993 to 2001 where he rose through the ranks from Application Engineer to Deputy Operations Manager.

Mr Low holds a Bachelor's degree in Engineering from the National University of Singapore.

MALAYSIA

5 THOMAS NG WAH HONG

Managing Director
Qian Hu Aquarium and Pets (M) Sdn Bhd
Qian Hu The Pet Family (M) Sdn Bhd

Mr Ng is responsible for the overall business development of Qian Hu's business in Malaysia. Prior to joining the Group in 1998, Mr Ng was a director with Guan Guan Industries Sdn Bhd since 1990, and Agemac Verdas (Malaysia) Sdn Bhd from 1996 to 1998.

Mr Ng holds a diploma in Civil Engineering from Singapore Polytechnic.

CHINA

6 YAP KOK CHENG

General Manager,
China Operations

Mr Yap joined the Group in January 2005 as a management trainee in Beijing Qian Hu. He was responsible for its daily operations and to peruse business expansion in the Northern China. He assumes his current role in January 2016 and is tasked to manage and oversee the Group's overall business operations and development in China.

Mr Yap holds a Bachelor of Commerce degree from the University of New South Wales, majoring in Finance and Economics. He currently serve as a member of AVA's Ornamental Fish Business Cluster.

7 LIM YIK KIANG

Head of Ornamental Fish Business,
China Operations

Mr Lim joined as a retail supervisor with Qian Hu Singapore in 2000, managing the retail operations in Singapore. In 2004, he was transferred to administer the Group's Dragon Fish operations in Shanghai. Mr Lim specialises in the sales and operations of Dragon Fish and other ornamental fish in the China market. He was appointed in January 2016 to oversee the Group's Ornamental Fish business in China.

8 YAP KAY WEE

Head of Accessories Business,
China Operations

Mr Yap joined the Group in January 2005 as a management trainee in its Guangzhou office. He was responsible for the Group's accessories sales and marketing initiatives in the Southern China. He also spearheaded various innovative projects with the Group's Integrated R&D team, such as the revolutionary HYDROPURE technology. He is appointed to his current role in January 2016 to take charge of the Group's Accessories business in China.

Mr Yap holds a Bachelor and Commerce degree from the University of New South Wales, majoring in Marketing and International Business.

Awards & Accolades

Business Excellence

Singapore Quality Awards
- 2004 & 2009: Awarded by SQA Governing Council, SPRING Singapore

People Developer Standard
- 2006: Awarded by SPRING Singapore

Professional Enterprise Award
- 2007: Awarded by Asian Management Association and Certified Consultant Academy

SQC Innovation Class
- 2008: Awarded by SPRING Singapore

Pro-Family Business Mark Certification
- 2008: Awarded by Singapore Productivity Association

People Excellence Award
- 2009: Awarded by SQA Governing Council, SPRING Singapore

Global Performance Excellence Award
- 2011: Awarded by Asia Pacific Quality Organisation – Best in Class 2011 (Small Service Organisation)

Singapore Sustainability Awards
- 2012: Awarded by Singapore Business Federation – Top Honours (Small & Medium Enterprise)

Service Excellent (Silver Award)
- 2012: Awarded by SPRING Singapore

Midas Touch Asia Enterprise Award 2013
- 2013: Awarded to enterprises in Asia Pacific which have the potential for exponential growth in the next decade

Innovation Excellence Award
- 2013: Awarded by SQA Governing Council, SPRING Singapore

SBR Listed Companies Awards 2015
- 2015: Awarded by the Singapore Business Review – Winner in Agriculture category

Governance & Transparency

Singapore Corporate Awards

Companies with less than $500 million in market capitalisation
- 2006: Best Annual Report – Gold;
  Best Investor Relations – Gold
- 2008: Best Managed Board – Merit

Companies with less than $300 million in market capitalisation
- 2009: Chief Financial Officer of The Year – Ms Lai Chin Yee;
  Best Managed Board – Merit;
  Best Investor Relations – Bronze,
  Best Annual Report – Gold
- 2010: Best Managed Board – Gold
- 2011: Best Investor Relations – Gold
- 2012: Best Annual Report – Gold
- 2013: Best Managed Board – Bronze
- 2014: Best Investor Relations – Gold
- 2015: Best Annual Report – Gold

SIAS Most Transparent Company Award

Awarded by Securities Investors Association (Singapore)
- 2001-2002: Winner in SESDAQ & Small Caps (up to $100 million) category
- 2003: Winner in Services/Utilities/Agriculture category & Golden Circle Special Merit Award
- 2004: Winner in Mainboard Small Caps (up to $100 million) category & Runner-up in Services/Utilities/Agriculture category
- 2005-2006: Runner-up in Mainboard Small Caps (up to $100 million) category
- 2007-2011: Winner in Mainboard Small Caps category
- 2015: Runner-up in Food and Beverages category

SIAS Singapore Corporate Governance Award
- 2013: Merit in Small Caps Category

Business Times' Corporate Transparency Index (CTI)
- 2002, 2004-2008: 1st Position

Best Managed Board Award
- 2003: Special Mention

IR Magazine Southeast Asia Awards

Small or Mid-Cap category
- 2007:
  Grand Prix for Best Overall Investor Relations – Winner;
  Best Corporate Governance – Winner;
  Best Financial Reporting –
  Highly Recommended; Most Progress in
  Investor Relations – Highly Recommended

"A good brand's value proposition should be **understood easily by everyone, but difficult for others to imitate**"

KENNY THE FISH

2016
In Review

Breeding of Ornamental Fish

Our new ornamental fish farm in Thailand, Ratburi Province, has started breeding various species in the past year.

Breeding is a fundamental process, and we have been integrating closely with this process in 2016 to strengthen our position in the value chain. This ensures that we protect the brand value right from the breeding stage, all the way to the export stage. We believe this move will also help us regulate our supply of ornamental fish on a more consistent basis.

- **Albino Silver Arowana**
- **Neon Cichlids**
- **Balloon Jewel Cichlids**
- **Parrot Cichlids**
- **Electric Blue Dempsey**

Showcasing our New Products

We have introduced a variety of new products in the past year to cater to the growing fishkeeping hobby in the accessories space, across our brand range.

Our Hydra system range continues to grow, and this year we have introduced a few new systems for different applications.

The Hydra Filtron Canister Filter is the first canister filter in the world to incorporate the revolutionary Hydro-Pure technology in its design. This product accelerates the startup time for tanks from the usual 4-5 weeks to just 1 week, reducing water odour, and retaining a crystal-clear tank. Using 3DM, a pH-neutral mineral-based beneficial bacteria medium developed with advanced manufacturing techniques and technology, the filter medium can contain up to 10 times more surface area than conventional filter mediums.

The Hydra range has been very successful for us this year, and has been scaled upwards to be applied in even larger areas. For instance, we are currently developing Hydra systems for Koi ponds and fish farms.

- **Hydra Filtron Canister Filter**
- **Hydra Koi System**
- **Dragon Fish Panorama Fish Tank (聚龙殿II)**
- **Aqua Zonic Inverter Water Pumps**
- **Aqua Zonic Vormax**
- **Aqua Zonic Amphi**
- **Aqua Zonic Primal**
- **RevoReef 3DM Reef-Rock**
- **RevoReef 3DM Reef-Sand**

2016
In Review

During the year, we also participated in a number of events to showcase and market our products.

- **Interzoo in Nuremberg, Germany**
- **Pets Expo in Melbourne, Australia**
- **Aquarama, China International Pet Show, China Koi Show in Guangzhou, China**
- **Nusatic Show, Tangsel International Betta Show in Indonesia**

2016
In Review

Moving into E-Commerce

We set up our flagship online store on China's popular T-Mall site this year to cater to our online audiences.

Offering a variety of our key innovative products across various brands - OF, Ocean Free, Aqua Zonic, and RevoReef – the reception has been extremely encouraging, and as a result, e-commerce sales have been growing steadily from this segment.

As a Qian Hu branded online platform, our customers can enjoy the assurance of authenticity in the form of genuine, quality products when they shop online. Orders are in turn fulfilled by our retailers in various provinces across China, and we are confident that this model will complement our retail sales moving forward.

Venturing into Aquaculture

We have taken steps to venture into the farming of antibiotic-free edible fish in Hainan Province, China in late 2016 with a joint venture partner.

Spread over a 0.4-hectare land area with a lease spanning 16.5 years, the edible fish farm will yield varieties of edible fish, primarily for the China market.

We believe in the prospects of this industry given our proven track record in breeding and farming of ornamental fish. Coupled with our cutting-edge Hydro-Pure technology that creates a clean, optimum ecosystem, our proven fish nutrition capabilities, as well as our business partner's expertise in herbal medications – we will be able to keep the edible fish healthy and antibiotic-free.

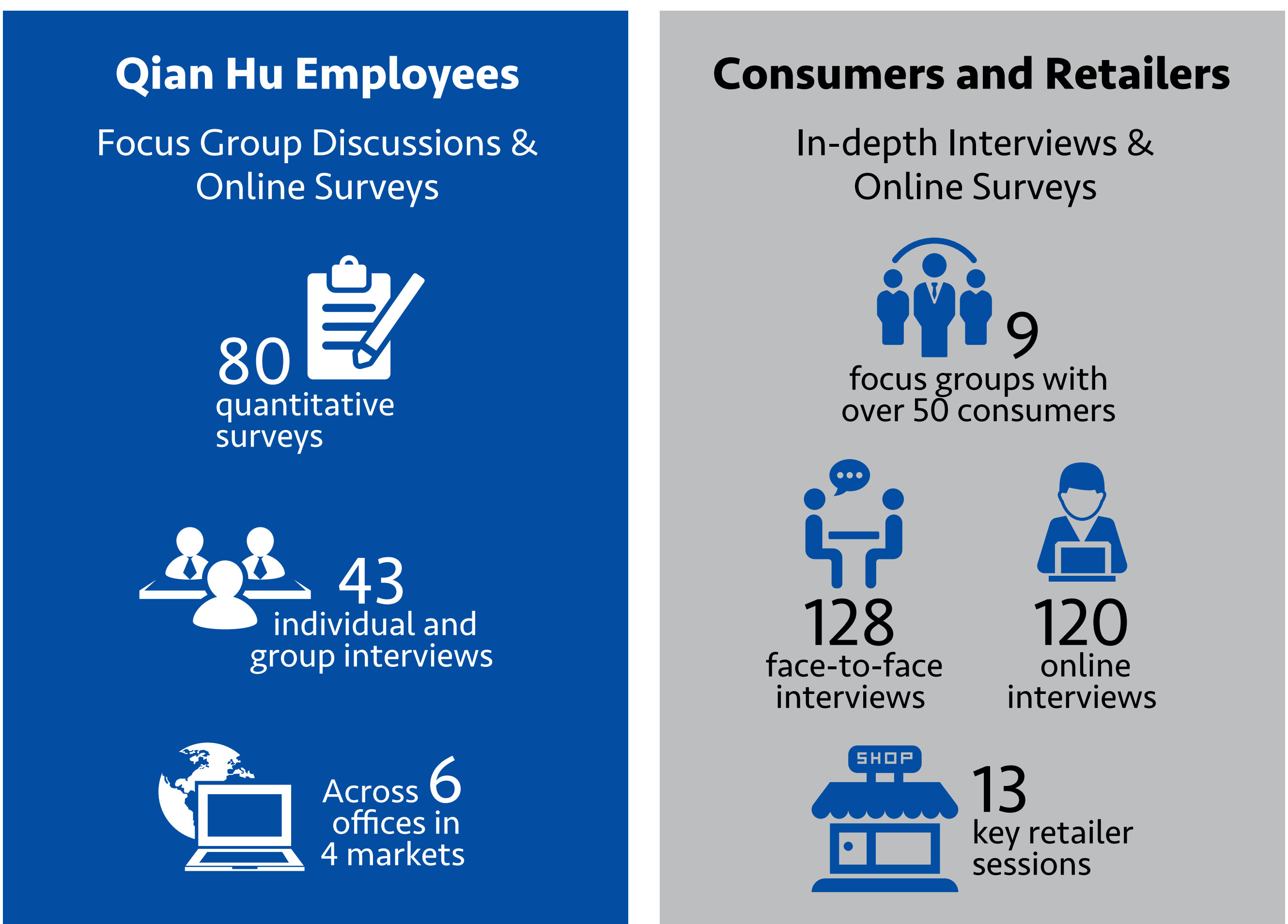
Building Our Brands

We kicked off FY 2016 by embarking on a journey of discovery to find out all about our brands and how they are perceived.

Over ten months from August 2015 to June 2016, we conducted in-depth interviews and research with our employees, consumers, and retailers in key Asian markets to obtain a holistic view about our brands. With the feedback on our brand standing, brand positioning, and brand attributes, we are set to improve on our product offerings in order to serve our customers and retailers better.

We are confident that the brand study will guide us as we approach the next phase of our growth strategy, as the findings will not only ensure our internal alignment on branding, but also inform our marketing efforts moving forward.

Qian Hu Brand Study and Research

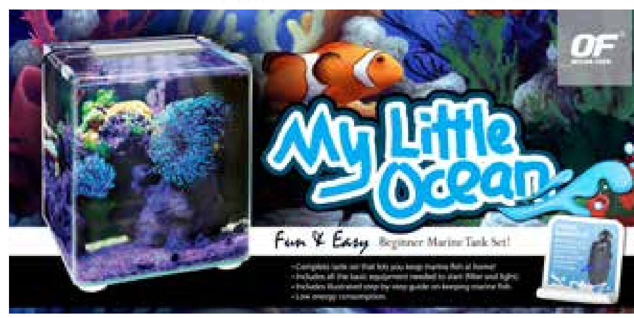


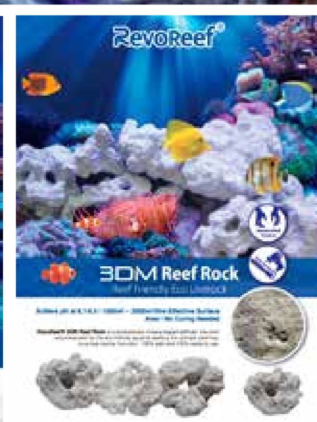
Market Updates

Singapore

This year, our Hydra range of depurator products have opened new markets for us in Eastern Europe and the Middle East. Our sales for the Hydra range in Europe and Southeast Asia have exceeded our expectations, and we saw remarkable year-on-year growth in this area. Overall revenue for our accessories segment grew in Singapore despite challenging operating conditions.

We introduced a range of new Aqua Zonic Inverter Water Pumps – Aqua Zonic Vormax, Aqua Zonic Amphi, and Aqua Zonic Primal. With energy consumption reduced by up to 70%, this range is quickly gaining popularity with environmentally conscious hobbyists. In addition, we have also launched a new range of Kirameki Oranda and Lionhead Feed for goldfish, as well as RevoReef 3DM Reef-Rock and Reef-Sand in the marine segment.





As we start to see more demand for pet products due to a growing number of pet owners, we are investing more time and resources into content marketing and branding. As today's consumers evolve to become knowledge-based, information-hungry and brand conscious, there is a need to adapt and transform ourselves to meet their expectations.

Therefore, we have also been intensifying our online marketing efforts through social media platforms such as Facebook, and our brand website www.yihufish.com to ensure we reach our audiences through channels that best resonate with them.


OF®
OCEAN FREE
Hydra Filtron
Canister Filter
HYDRO-PURE
TECHNOLOGY

Market Updates

Malaysia

In Malaysia, we have been focusing on growing our brand share through strengthening our in-store presence for our pet products. We have made significant improvements to our promotional point-of-sale material for our 'Aristo-Cats Yi Hu' range of cat food, as well as 'Bark' and 'Nature's Gift' range of dog food, to ensure that our products stand out better on the shelves.

As a major wholesaler and exporter of live tropical fish in Malaysia, our company is certified by Department of Fisheries Malaysia, where we provide all varieties of tropical fish with high quality and competitive price to the worldwide market. We have continued to see growth in the live tropical fish export business over the year, and this will continue to be one of our key focuses moving forward.

We celebrated our 18th year of operations in Malaysia this year with a fun-filled annual dinner for our employees.

China

The market in China in 2016 saw fierce retail competition and consumers that are shifting towards online buying. As such, e-commerce sales from our Qian Hu flagship online store on the T-Mall site has been growing steadily, and sales for our key innovative products such as the Arowana tank (御龙殿) have grown by 50% the last year.

At the same time, we know that Chinese customers are also constantly looking for better quality products with better service. Hence, we strive to achieve closer interaction and engagement with our customers through our growing focus on digital marketing through the WeChat platform, and online forums.

We unveiled various new accessories in China during the year, such as the Hydra Filtron Canister Filter, Koi Hydra System, Dragon Fish Panorama Tank (聚龙殿II), OF 御龙殿LED light (Arowana LED light), as well as RevoReef 3DM Reef-Rock, and RevoReef 3DM Reef-Sand for the marine segment.

In the coming year, we have plans to expand into the Koi fish market in China. Koi fish are renowned in Chinese culture and fengshui, and the hobby remains a mainstay in our market. With our key products, Koi Hydra System and 3DM filter media, we believe we will be well-positioned to grow this segment.

We also held many activities for our employees throughout the year, such as an internal planted tank competition, Sports Games day, Mid-Autumn Festival celebrations and our annual staff dinner.

Market Updates

Thailand

We welcomed a new fish farm during the year in Thailand situated at Ratburi Province with an area spanning approximately 46,400 sqm. This new farm is set to breed new species of fish and Parrot Cichlids. We have also launched several new products for both local and export ornamental fish markets such as Neon Cichlids, Balloon Jewel Cichlids, Parrot Cichlids and Electric Blue Dempsey.

On the accessories end, sales for our pet food and accessories range rose by more than 30% in 2016 due to overall market growth and our expanded product range in the areas of pet cages for hamsters, cats and dogs. In 2016, we focused on strengthening our accessories distribution network in the Thai provinces of Nakhon Sawan, Lampang, Chiang Mai & Chiang Rai. As a result, sales from these provinces increased by more than 20%.

In Thailand, the current trend is the rearing of crayfish in an aquarium, and our products such as Frozen Bloodworms have been introduced to crayfish keepers, which we believe will drive sales for our food range.

We continue to give back to our community in Thailand, and during the year, we donated 50,000 THB to Rangsit Babies' Home, as well as other daily-use items for the children.

Indonesia

The ornamental fish hobby in Indonesia has gained more exposure, particularly in the last few years. With growing support and interest from the Ministry of Maritime Affairs and Fisheries (Indonesia) for the industry as a whole, there have been more local events organised around the ornamental fish hobby in the Jabodetabek area comprising Jakarta, Bogor, Depok, Tangerang, Bekasi. In 2016, there were various competitions and exhibitions in Indonesia, for instance, a Betta competition and as well ornamental fish exhibition held in Bekasi recently, amongst others.

During the year, we started importing fish such as Luohan and other aquascaping species for local distribution. Our fish are distributed to local fish markets and retailers in Jabodetabek areas. Moving forward, we also will more explore distributing these fish to other areas such as Java, Sumatera, and Kalimantan.

In Indonesia, Luohan, Arowana, Discus, Goldfish and Betta are currently the most popular ornamental fish species. Increasingly, the Ryukin goldfish which is bred locally is also gaining popularity amongst Indonesian consumers for their vibrant colours and finnage. We plan to also introduce these types of goldfish in our market in the coming year to capitalise on this growing market.

Our management also organised a staff dialogue session this year, so as to enable us to foster internal relationships and interaction, as well as gather feedback on how to work better together.

Focus & Strategy

Building For Our Future

Building Our Innovative Brands

Our brands, our sales platforms, our technology and innovation – Qian Hu's strategy in the next few years will be underpinned by these pillars of growth.

Building on its strength in the breeding and export of ornamental fish from its Asian hubs of Singapore, Malaysia, Thailand and Indonesia, Qian Hu will continue to carve inroads in the distribution of fish, fish accessories and pet accessories within these regions as well.

Building Our Online Platforms

Meanwhile, we will also continue to focus on our online sales platforms to ensure we cater to the shift towards mobile and online shopping.

With our Qian Hu-branded online flagship store on the popular T-Mall platform in China, as well as our planned proprietary e-commerce platform, we will be laying a strong foundation to support our Chinese retailers in the online space.

These online platforms will not only ensure that we adopt a consistent approach to branding, marketing and pricing of our products, but also ensures that our customers can also enjoy competitive pricing for the same quality Qian Hu products.

Building Our Aquaculture Business

Leveraging our skills in innovation and technology, we are embarking on a new business venture. The trend of aquaculture, or the cultivation of edible fish, has been growing steadily in recent years.

Since aquaculture is dependent on a number of factors such as feed and water quality, we see certain synergies and opportunities for us to extend our business across the value chain to this segment – particularly in the area of ensuring good water quality for healthy livestock.

Together with our joint venture partner, we will operate an edible fish farm in Hainan Province in China, which is expected to yield a variety of antibiotic-free edible fish moving forward. The farm is currently undergoing construction and is expected to complete by 2Q 2017.

With a clear vision in mind to build a future-ready company that lasts through generations, Qian Hu will bring together our established network and brand legacy, as well as technology and new platforms, to sustain our growth tracks.

Ornamental Fish

We will continue to invest our effort and resources on technological enhancements for our Ornamental Fish segment in the coming years, particularly in the areas of quarantine and export.

Our Death-On-Arrival (DOA) rates for our export business are very consistent, and we are constantly striving to improve these where we can, along with our stringent DOA policy which is a form of guarantee to our customers.

Backed by years of development and crossing of DNA, we have also successfully developed the Albino Silver Arowana, which is currently in production. Moving forward, we will work to enhance the Albino strains for Arowanas. With its premium pricing and positioning, we anticipate healthy demand in this segment.

The integration with breeding activities at our new fish farm in Thailand will also contribute to our efforts to position ourselves as a breeder as well as exporter moving forward.

Our fish counting device, designed to improve our inventory monitoring efficiency, is making good headway, and we intend to continue to focus on this innovative device in 2017.

We will stand to benefit from higher accuracy, reduced time and labour, increased productivity, and assurance once we perfect the technology. The innovative technology can also be marketed to our customers in the future.

Accessories

In the Accessories segment, we have streamlined our dealership programme in the last year to ensure we work with premium dealers who are focused on innovative products and delivering the best experiences to our customers. We believe that we are well-positioned to take on new challenges in this space. In 2017 and beyond, we are looking at several new developments in the Accessories segment.

Our Hydra Filtron series is now available in three sizes: 1,000, 1,500, 1,800 – catering to both freshwater and marine hobbyists. Launched at the 2016 Nuremberg show in Germany, the Hydra Filtron is the first canister filter in the world to incorporate our Hydro-Pure Technology in its design. This technology can be scaled upwards for larger scaled or commercial projects in the future. For instance, we are currently developing Hydra systems for Koi ponds and fish farms.

In the coming year, we will also be introducing a wider range of fish nutrition under the OF PRO series – such as our OF GF-G1 Pro Goldfish pellets. This is the latest technological breakthrough in fish nutrition catering specifically to goldfish, formulated after years of research and development with breeders and hobbyists. The product contains a unique blend of ingredients that promotes overall development of head-formation, body growth, body-shape and finnage, enhancing the coloration and shine of goldfish.

Our marine range is also expanding with the RevoReef 3DM Reef-Rock and Reef-Sand series. The 3DM Reef-Rock is a new aqua-scaping material which can essentially replace natural occurring live rocks typically taken from the ocean. Rocks are an essential part of marine tanks. Our 3DM Reef-Rocks are mineral based and therefore more environmentally friendly. With its natural resemblance to real live rocks and more than 90% efficiency in terms of bio-efficiency, the rocks can be easily shaped to suit all levels of aquascapers.

In our fish tank segment, we have also re-launched improved marine tanks for the RevoReef range that feature higher efficiency in terms of filtration, and better ergonomic designs.

In the coming year, we also plan to introduce herbal-based medication for stingrays and Arowanas, which will yield a more natural option with our proprietary in-house blend. This is aimed at boosting the fish's immune system to fight diseases and can cover a wide range of fish ailments.

Five-Year Financial Highlights

	2016	2015	2014	2013	2012
For the year ($'000)					
Revenue	80,470	77,970	83,526	83,462	84,443
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	2,208	2,508	2,922	3,431	(5,499)
Loss on disposal and subsidiary / associate	-	-	(134)	-	(9,062)
(Loss) Profit before tax	(10)	549	1,098	954	(8,683)
Net Profit (Loss) attributable to owners of the Company	68	19	392	302	(9,137)
Operating Cashflow	3,076	1,538	3,948	3,675	3,584
Capital Expenditure	2,296	1,867	2,061	1,969	1,633
At year end ($'000)					
Total Assets	77,663	75,817	76,688	75,887	77,942
Total Liabilities	27,169	25,509	25,635	24,892	23,822
Shareholders' Funds	48,545	48,673	49,548	49,509	52,529
Net Current Assets	22,194	33,786	33,390	32,358	33,956
Cash and Cash Equivalents	8,723	7,772	8,557	6,712	8,272
Key financial ratios					
Revenue growth (%)	3.2%	(6.7%)	0.1%	(1.2%)	(4.4%)
Net Profit growth (%)	257.9%	(95.2%)	29.8%	103.3%	(363.6%)
Net Profit margin (%)*	0.4%	0.3%	1.0%	0.7%	0.1%
Debt-to-equity ratio (times)	0.54	0.51	0.50	0.49	0.44
Return on Shareholders' Funds (%)	0.1%	0.0%	0.8%	0.6%	(17.4%)
Return on Total Assets (%)	0.1%	0.0%	0.5%	0.4%	(11.7%)
Per share information (cents)					
Earnings per share**	0.06	0.02	0.35	0.27	(8.05)
Net Assets per share**	44.48	44.31	44.97	44.92	47.67
Cash per share	7.68	6.85	7.54	5.91	7.29
Dividend per share - ordinary	-	0.20#	0.10	0.10	0.20
- special	-	-	-	0.50	-
Market capitalisation ($'million)					
At close of business on the first trading day after the announcement of audited results	13.85	18.05	38.60	39.05	42.23

* *excluded the gain or loss on disposal of subsidiary / associate and impairment loss on investment in an associate*
** *adjusted for share consolidation*
\# *post share consolidation*

Value-Added Statement

($'000)	2016	2015
Revenue earned	80,470	77,970
less : Purchase of goods	(64,089)	(63,006)
Gross value-added from operations	16,381	14,964
Other income	301	217
Exchange (loss) gain	(15)	495
Share of losses of associate	(30)	(46)
Total value-added	16,637	15,630
Distribution :		
To employees in salaries and other related costs	13,822	12,589
To government in corporate and other taxes	91	675
To providers of capital :		
- Interest paid on borrowings from bank	339	302
Retained for re-investment and future growth		
- Depreciation and amortisation	1,858	1,617
- Accumulated profits	68	19
- Non-controlling interests	254	253
Non-production cost and income :		
- Bad trade receivables and allowance for doubtful trade receivables	222	225
- Write back of allowance for inventory obsolescence	(17)	(50)
Total distribution	16,637	15,630

PRODUCTIVITY DATA

	2016	2015
Number of employees	550	507
Value added per employee ($'000)	30	31
Value added per $ of employment cost	1.20	1.24
Value added per $ sales	0.21	0.20
Value added per $ of investment in property, plant and equipment	0.44	0.43

Financial Review

Statement of Profit or Loss

REVENUE – Increased by approximately $2.5 million or 3.2% mainly due to increase in revenue contribution from core business segments - Ornamental Fish and Accessories.

Ornamental Fish exports to more customers and more countries around the world from the Group's export hubs in Singapore, Malaysia, Thailand and Indonesia, have given rise to better ornamental fish revenue. Accessories business, being more export-oriented, managed to leverage on the Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential to yield higher revenue.

GROSS PROFIT – Increased by $1.6 million or 7.1% mainly due to the upturn in revenue contribution as a result of the enhanced business activities as mentioned above.

OTHER INCOME –Increased by $0.1 million or 38.7% mainly due to rental income received on the investment property.

(LOSS) PROFIT BEFORE TAX – Registered marginal loss before tax despite increase in revenue and gross profit mentioned above, mainly due to increase in operating expenses by $2.2 million or 10.3% in FY 2016 as compared to that of FY 2015. The escalation in operating expenses was attributable to higher personnel expenses as a result of the increase in headcount and annual salary revision, as well as the broad-spectrum increase in operating costs as a result of elevated inflationary pressure.

TAX CREDIT (EXPENSE) – Tax credit in FY 2016 was a result of the reversal of tax expense overprovided in respect of prior years. The amount was partially offset by tax expense incurred in the current year in relation to profitable entities within the Group.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY – Relatively higher than FY 2015, which was lifted by the tax credit, despite registering a marginal loss before tax. Net profit margin improved from 0.3% to 0.4%.

	2016 $'000	2015 $'000	Change %
Revenue			
- Ornamental Fish	31,678	31,372	1.0
- Accessories	37,649	35,399	6.4
- Plastics	11,143	11,199	(0.5)
Total revenue	**80,470**	**77,970**	**3.2**
Less : Cost of sales	(56,731)	(55,806)	1.7
Gross profit	**23,739**	**22,164**	**7.1**
Add : Other income	301	217	38.7
Less : Operating expenses	(24,020)	(21,786)	10.3
Operating profit	**20**	**595**	**(96.6)**
Add : Share of losses of associate	(30)	(46)	(34.8)
(Loss) Profit before tax	**(10)**	**549**	**(101.8)**
Less : Tax credit (expense)	332	(277)	219.9
Profit for the year	**322**	**272**	**18.4**
Profit attributable to:			
Owners of the Company	**68**	**19**	**257.9**
Non-controlling interests	254	253	0.4
Profit for the year	**322**	**272**	**18.4**

Statement of Financial Position

TOTAL ASSETS – Increased by $1.8 million as at 31 December 2016. Increase in property, plant & equipment mainly related to an upfront payment of $0.6 million made for the renewal of the Singapore farm land for a 10-year lease term and capital expenditure incurred for the enhancement of infrastructure work undertaken in Singapore and overseas on farm facilities. Increase in cash and cash equivalents due to proceeds received from additional drawdown of bank term loan and the ability to better manage cash flow by extending credit terms with regular suppliers for purchases made. The increase was offset by decrease in brooder stocks due to depreciation charge for the financial year and decrease in inventory as a result of conscientious efforts made in lowering inventory level.

Investment property relates to a piece of freehold land situated in Batu Pahat, which was transferred to the Group as partial settlement of an outstanding amount due from the purchasers of Kim Kang Aquaculture Sdn Bhd, a former subsidiary of the Group. This has resulted in a comparable reduction in trade and other receivables balance.

TOTAL LIABILITIES – Increased by $1.7 million as at 31 December 2016 mainly due to increase in trade and other payables as a result of extended credit terms granted by our regular suppliers for purchases made and the increase in loans and borrowings.

SHAREHOLDERS' FUNDS – Decreased marginally by $0.1 million as at 31 December 2016. The reduction was mainly attributed to the payment of dividends to shareholders of the Company in April 2016.

NON-CONTROLLING INTERESTS – Increased by $0.3 million as at 31 December 2016 due to profit contributions from the non-wholly owned subsidiaries during the financial year.

	2016 $'000	2015 $'000	Change %
Total assets	**77,663**	**75,817**	**2.4**
- Property, plant and equipment	8,750	8,076	8.3
- Investment property	1,586	-	100.0
- Brooder stocks	8,180	8,366	(2.2)
- Inventories (including breeder stocks)	15,520	15,773	(1.6)
- Trade and other receivables	33,738	35,180	(4.1)
- Cash and cash equivalents	8,723	7,772	12.2
Total liabilities	**27,169**	**25,509**	**6.5**
- Trade and other payables	11,243	10,090	11.4
- Tax liabilities	357	851	(58.0)
- Loans and borrowings	15,569	14,569	6.9
Total equity attributable to owners of the Company	**48,545**	**48,673**	**(0.3)**
Total non-controlling interests	**1,949**	**1,635**	**19.2**

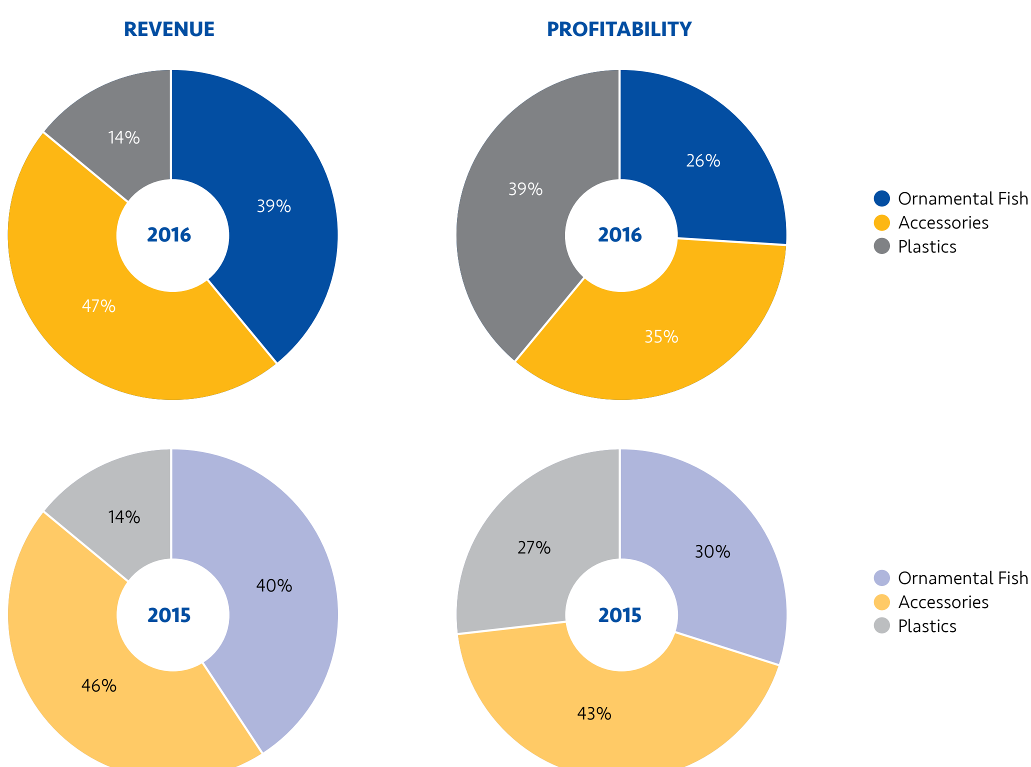
Financial Review

Business Segment Performance

Qian Hu has presence in six countries, namely, Singapore, Malaysia, Thailand, Indonesia, China and United Kingdom, which consists of fourteen subsidiaries and an associate (collectively known as "the Group").

The Group has three main business activities - Ornamental Fish, Accessories and Plastics. For the financial year ended 31 December 2016, the Group recorded revenue of $80.5 million, of which approximately 86% was contributed by the core businesses (Ornamental Fish and Accessories), while Plastics contributed the remaining 14%. The Plastic business accounted for 39% of the Group's operating profit compared to 26% from Ornamental Fish and 35% from Accessories.

	Ornamental Fish	Accessories	Plastics	Others	Total
FY 2016					
Revenue	31,678	37,649	11,143	–	80,470
Profit (loss) before tax	555	764	851	(2,180)	(10)
FY 2015					
Revenue	31,372	35,399	11,199	–	77,970
Profit (loss) before tax	790	1,146	723	(2,110)	549

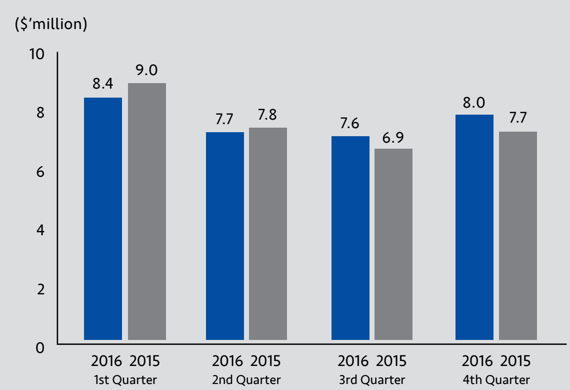


ORNAMENTAL FISH

The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming, wholesales and distribution activities. Through its distribution hubs in Singapore, Malaysia, China, Thailand and Indonesia, Qian Hu exports over 1,000 species and varieties of ornamental fish directly to more than 80 cities and countries as well as distributes to domestic retailers and exporters, reinforcing Singapore's premier reputation as the Ornamental Fish Capital of the World.

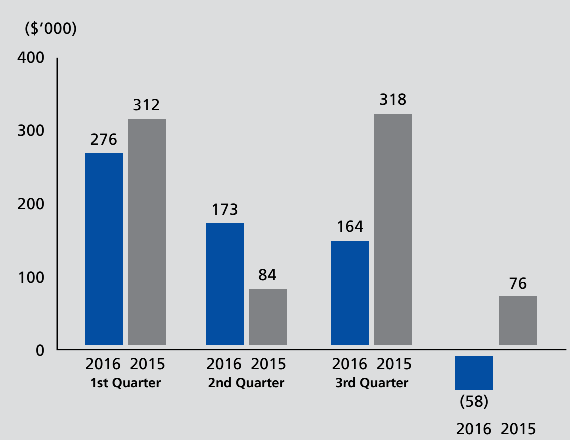
REVENUE

During the current financial year, although the purchasing sentiments from the challenging European markets have retrieved gradually, it has not been restored completely. With enhanced marketing efforts, the Group has since strived to increase its export of ornamental fish by diversifying to more customers and more countries around the world from its export hubs in Singapore, Malaysia, Thailand and Indonesia, which have given rise to the improved Ornamental Fish revenue contribution.



PROFITABILITY

The shrink in operating profit despite an increase in revenue registered in FY 2016 was a result of the difference in sales mix and the gradual escalation in operating costs. The reliance and resilient of the ornamental fish export business continued to turn in stable revenue and generate respectable profit margins for the Group.



Financial Review

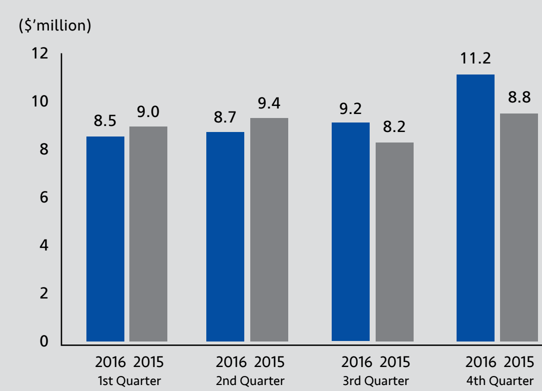
ACCESSORIES

The distribution of accessories complements the ornamental fish operations by providing a "one-stop" shop to meet customers' aquarium needs. The Group distributes more than 3,000 types of aquarium and pet accessories of our own proprietary brands and for more than 20 major manufacturers and principals to local retailers and wholesalers mainly in Asia and Singapore.

In addition, since 2004, Qian Hu started penetrating the retail market with a chain store concept, "*Qian Hu -- The Pet Family*", which it intends to professionalise a highly fragmented market to mass market a niche industry. It has retail chain stores in China, Malaysia and Thailand. All the chain stores sell both ornamental fish and related aquarium & pet accessories while some stores also provide pet grooming activities.

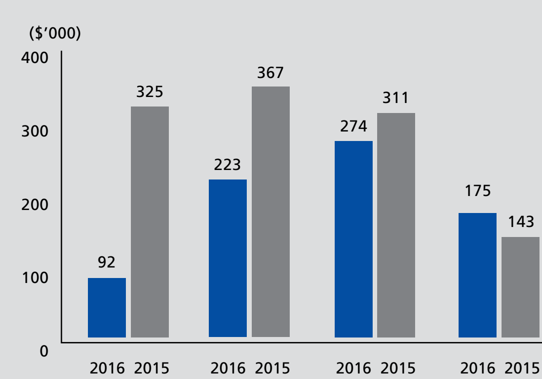
REVENUE

With the Accessories business being more export-oriented, it managed to leverage on the Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. The Group's 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 the Group's newly acquired subsidiary in Guangzhou, the revenue contribution registered for this business segment in FY 2016 was higher than FY 2015.



PROFITABILITY

The dive in profitability of this business segment, despite the higher revenue contribution, was due to the difference in sales mix, as well as the on-going efforts made to capture market and to focus on selling more of its proprietary brand of innovative products.

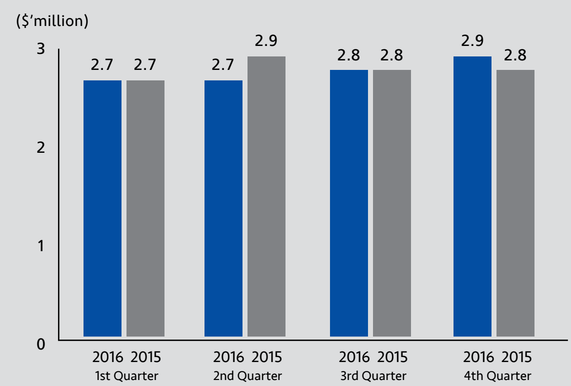


PLASTICS

As an ancillary business, the Group manufactures plastic bags for its own use in the packing of ornamental fish for sale in a separate factory located in Woodlands. The plastic bags are also supplied to third parties in the ornamental fish, food and electronics industries.

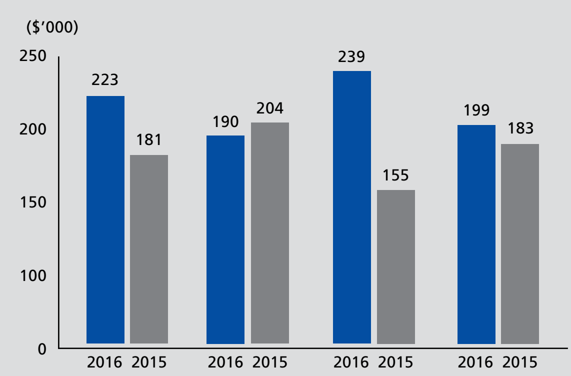
REVENUE

Revenue contribution from the Plastics business remained moderately constant on a year-on-year basis.



PROFITABILITY

The relatively stable revenue registered, coupled with the improved profit margins following the stabilisation of both the raw material prices, as well as the selling prices of the plastic products, had given rise to the improvement in profit contribution throughout the financial year.



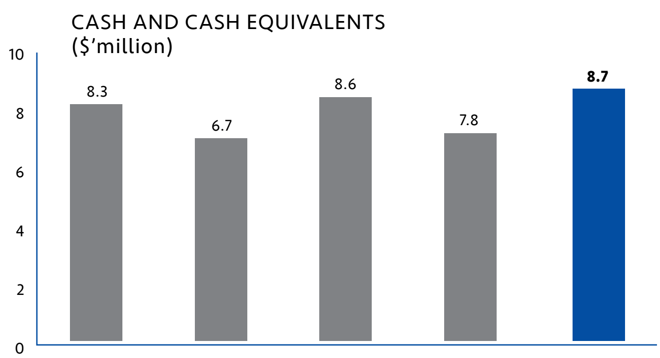
Financial Review

Capital Management and Shareholders' Returns

The Group maintains a strong balance sheet (Statement of Financial Position) and an efficient capital structure to maximise returns for shareholders. The Group has sufficient cash and cash equivalents and an adequate amount of standby credit facilities. Funding of working capital requirements and capital expenditure is through a mix of short-term money market borrowings and long-term loans.

As at 31 December 2016, credit facilities in the form of short-term loans, bank overdrafts, letter of credit and other banking facilities provided by major banks to the Group amounted to approximately $24.3 million of which approximately $15.0 million was utilised.

CASH AND CASH EQUIVALENTS



Overall, the Group's cash and cash equivalents increased by approximately $0.9 million in FY 2016 to $8.7 million as compared to approximately $7.8 million a year ago.

The movements in cash and cash equivalents during both financial years are set out as follows:

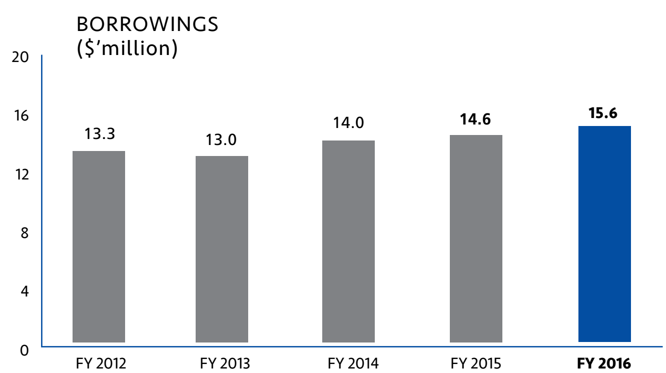
Despite registering losses in for the year ended 31 December 2016, the improvement in the Group's **net cash from operating activities** as compared to FY 2015 was due to lower inventory purchased and the ability to better manage cash flow by extending credit terms with regular suppliers for purchases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

Net cash used in investing activities was mainly related to upfront payment of $0.6 million 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 trademarks and formulation rights of certain products in FY 2016.

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

	2016 $'000	2015 $'000
Net cash from operating activities	3,076	1,538
Net cash used in investing activities	(2,349)	(1,664)
Net cash from (used in) financing activities	210	(552)
Net increase (decrease) in cash and cash equivalents	937	(678)
Cash and cash equivalents as at end of year	**8,723**	**7,772**

LOANS AND BORROWINGS



The Group borrows from local and foreign banks mainly in the form of short-term and long-term loans. Unsecured borrowings constituted approximately 99.1% (31/12/2015: 98.5%) of total loans and borrowings with the balance secured by a mortgage on the freehold land held by a subsidiary.

The Group was in compliance with all borrowing covenants for the financial year ended 31 December 2016.

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).

The amounts of the Group's borrowings for both the financial years are as set out below:

	2016 $'000	2015 $'000
Current liabilities:		
Bills payable to banks (unsecured)	354	580
Finance lease liabilities	209	135
Short-term bank loans (unsecured)	14,500	13,500
Long-term bank loan (secured)	142	212
	15,205	14,427
Non-current liabilities:		
Finance lease liabilities	364	142
Total borrowings	**15,569**	**14,569**

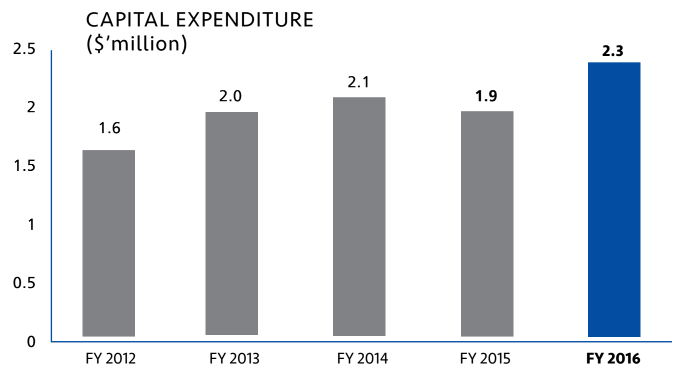
The weighted average effective interest rates relating to **bills payable to banks** of the Group is 5.09% (31/12/2015: 5.65%) per annum. These bills mature within one to four months from the reporting date.

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 financial year end.

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

Financial Review

CAPITAL EXPENDITURE



In FY 2016, there was $0.6 million upfront payment incurred for the renewal of the land leases in Singapore for a 10-year period. Another $0.8 million was incurred in relation to the purchase of seven motor vehicle under hire purchase arrangements. In addition, there were on-going improvements to infrastructure and construction work undertaken overseas on the farm facilities so as to enhance operational efficiency, particularly in Thailand and Indonesia.

SHAREHOLDERS' RETURNS

The Company's priority is to achieve long-term capital growth for the benefit of the shareholders. The bulk of its profits, when made, shall therefore be retained for investment into the future. Nevertheless, the Company recognises the desire of some of its shareholders to receive income out of their investment in the Company. Therefore, the Company strives to distribute, year after year and when its cash flow permits, an appropriate sum of dividend to reward its shareholders for their loyalty and support to the Company over the years. As such, it has not set a concrete dividend policy at present. The proposed dividend each year takes into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other relevant factors.

Qian Hu paid a final cash dividend of 0.2 Singapore cents per ordinary share for the financial year 2015, amounting to approximately $227K. There was no final dividend recommended in respect of the financial year ended 31 December 2016 as cash was utilised for the renewal of the land leases of the Singapore farm and was reserved for the investment in the Group's new aquaculture business in FY 2017.

Dividend payout will resume once the new business activity contributes positively.

Financial Calendar

2016

12 JANUARY
FY 2015 Full year results announcement (with media and analysts briefing)

23 MARCH
Annual General Meeting

18 APRIL
1Q 2016 results announcement

21 APRIL
Payment of dividend (Subject to Shareholders' approval at AGM)

19 JULY
2Q 2016 results announcement (with media and analysts briefing)

17 OCTOBER
3Q 2016 results announcement

2017

12 JANUARY
FY 2016 Full year results announcement (with media and analysts briefing)

22 MARCH
Annual General Meeting

17 APRIL
1Q 2017 results announcement

18 JULY
2Q 2017 results announcement (with media and analysts briefing)

17 OCTOBER
3Q 2017 results announcement

Sustainability at Qian Hu

CONTENTS

Message From The Board

"At Qian Hu, we embrace sustainability. It is part of our operating DNA and defines us as a company. Our approach to sustainability is guided by several factors: listening to our stakeholders, identifying the key material Environmental, Social and Governance (ESG) aspects of our business, and ensuring we have a sustainable framework in place to track our progress."

Our journey to sustainability reporting is not something new to us; we started as early as FY 2011, and we have been committed to improving our quality of our reporting every year since. Since launching our first Sustainability Report in January 2012, we have obtained the minimum Application Level C Statement from internationally acclaimed Global Reporting Initiative (GRI) – one of the world's preferred standards for sustainability reporting.

That same year, we also clinched top honours in the Small & Medium Enterprise category at the Singapore Sustainability Awards 2012. Organised by the Singapore Business Federation, this marked the recognition for our long-standing commitment towards building a sustainable business for future generations.

We have outlined our strategic priorities presented in the Materiality Matrix on Page 47, and our efforts in these areas are aimed at continuously delivering sustainable, profitable growth for the Group.

With these priorities in mind, we have mapped a clear and encompassing approach to sustainability that will cover critical areas of our businesses. We believe in creating a sustainable business strategy that can align with profitability. As a Group, we recognise the impact of our operations on the environment and our stakeholders, and as such we strive towards the highest levels of corporate citizenry by managing our brands responsibly. As a result of our sustainability efforts, we aspire to see these initiatives lead to increased value creation, along with positive impact on our environment and societies.

SCOPE OF REPORT

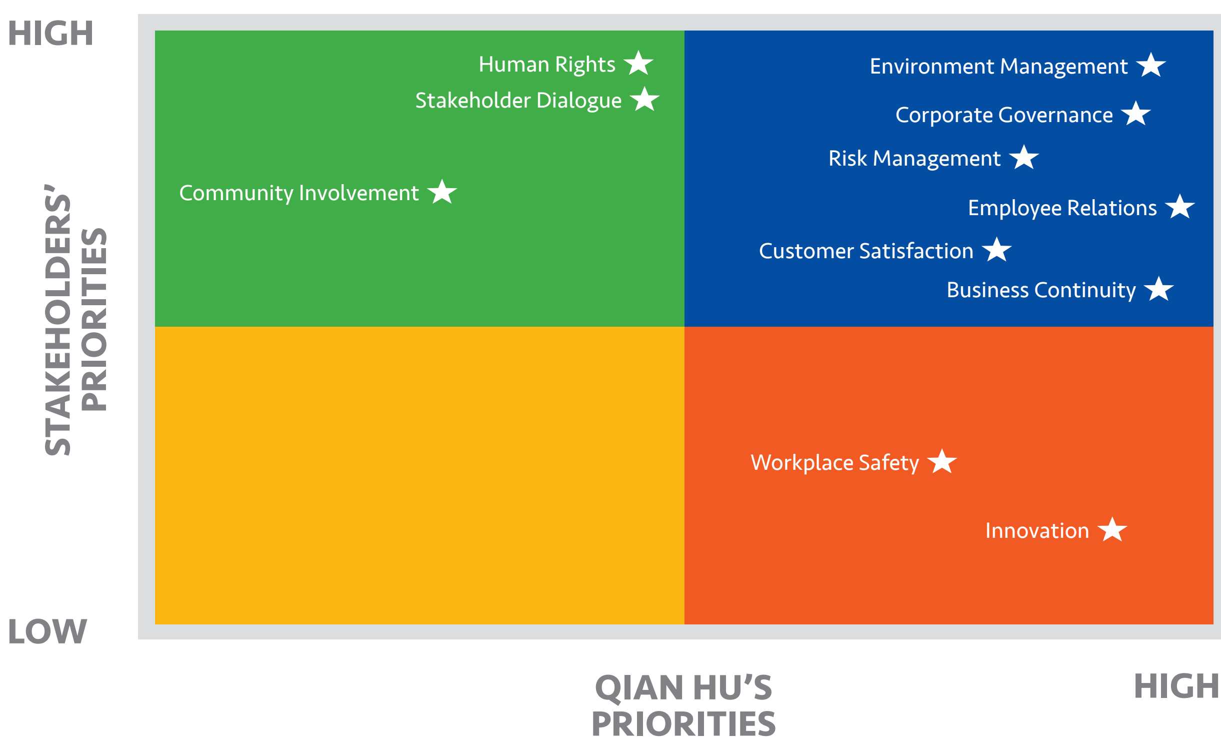
Qian Hu's sustainability report focuses on addressing our material ESG matters, and aims to provide readers with an accurate, complete and meaningful overview on how we manage these sustainability issues in our business sectors.

Our sustainability reporting is based primarily on the GRI G3 principles and framework, and this year's report is checked against the GRI 3 Framework as Application Level C and addresses activities and data that fall within the company's financial year for the period from January 1 to December 31, 2016.

Further information on our efforts towards Environmental, Social and Governance matters can be found under pages 52-53, pages 50-51 and pages 61-106 respectively.

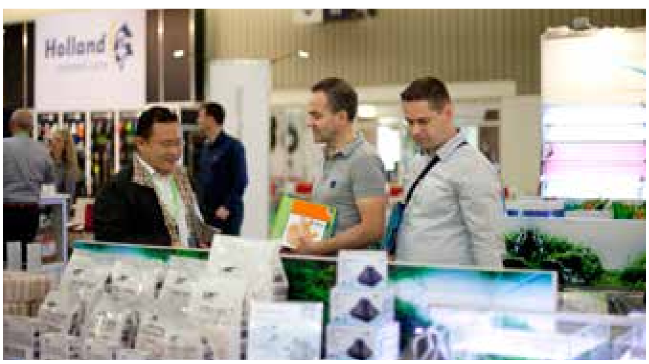
MATERIALITY ASSESSMENT

Based on feedback gathered from our stakeholders, we have evaluated and identified key material factors that have an impact on our businesses, and our priorities are reflected in the Materiality Matrix below. The materiality assessment is endorsed by Qian Hu's management committee, and these factors will be reviewed regularly moving forward.



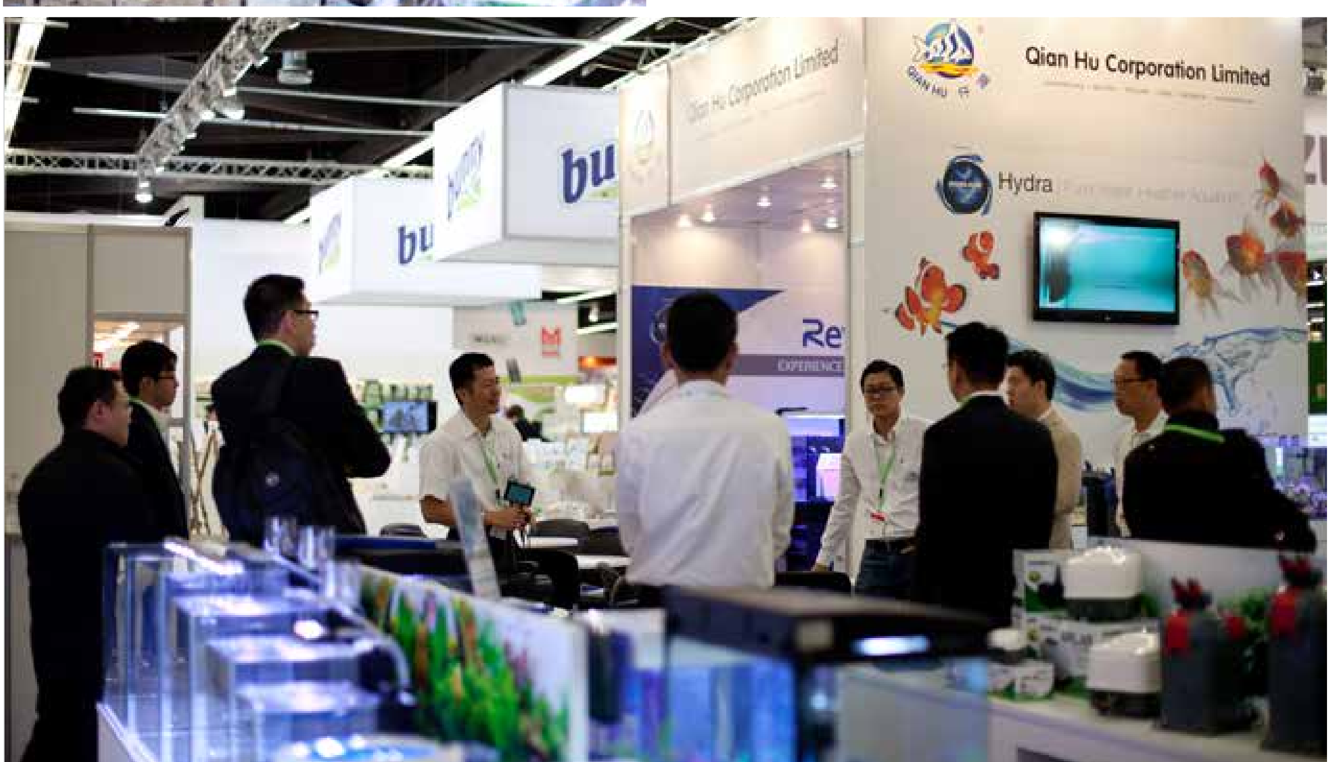
Supply Chain Management

ENGAGING OUR SUPPLIERS



At Qian Hu, we engage regularly with our suppliers at every stage of our purchasing process and as such, they are a key component our overall supply chain management effort. Through our supplier partnership programme, we hold regular meetings with them to understand their needs and challenges. We take on their feedback and formulate action plans where possible to enhance the sustainability of our partnership.

Our major suppliers are carefully selected based on track record and endorsed by way of our Approved Vendor List. In addition, our suppliers are also assessed on their ability to complement our commitment to deliver high quality products and services, and adhere to high standards of environmental and social practices in line with Qian Hu's governing principles. In cases where suppliers encounter difficulties in meeting our specifications, our team will provide feedback on areas of improvement. These initiatives ensure that the communication channels between Qian Hu and our suppliers are always open and robust.



PRIORITISING OUR CUSTOMERS

Customers are our priority. Our future depends on having strong customer relationships, which we strive to reinforce by providing reliable services, possessing adequate product knowledge and supplying a good variety of quality products.

We have an international customer base that is located in more than 80 cities and countries around the world. Due to the nature of the ornamental fish distribution business, flight accessibility and connectivity, as well as having an efficient distribution infrastructure at the port of call, are absolutely critical to fulfil timeliness of delivery and low DOA (dead-on-arrival) rates.

All of our customers enjoy easy access to feedback platforms or make direct inquiries through our sales and marketing personnel and senior management. Channels of contact include dedicated sales and marketing executives assigned to specific customers, Qian Hu's website, as well as trade shows and exhibitions. Multi-pronged contacts are established through regular visits and dialogue with customers via telephone calls, faxes, emails and formal/informal meetings. At Qian Hu, customer satisfaction is tracked through regular Customer Satisfaction Surveys, and Customer Commendations.

DRIVING INNOVATION

We are constantly curious and creating new ideas at Qian Hu, and our approach to R&D is largely similar in nature. We always welcome new ideas in the organisation, regardless of hierarchy, and we encourage our staff to be bold and daring at the ideation phase. This stems from our "Creating Value from Mistakes" mindset, where we advocate the fact that we can draw value from our past mistakes and strive to do even better in future.

Over the years, we have invested heavily in continuous innovation, and our efforts have paid off with several Qian Hu inventions which have been successfully implemented and well-received in the market. Amongst a few, our patented Hydro-Pure technology is known in the market for its ability to detoxify and depurate water in both marine and freshwater environments for biologically cleaner and healthier water. The Hydro-Pure technology has since enjoyed immense success, and has been continually scaled upwards in various other applications as well – including our popular Hydra range of products, our Multi-Tier Automated Water Recirculation Tank Holding System in our export hubs in Singapore, Malaysia, Thailand and China which helps improve productivity.

In addition, Qian Hu's early innovation in Arowana pellet food has also enjoyed immense popularity across the markets where we operate. We have invested this know-how into other ranges of fish food, and developed an extensive range of pellet food based on the same winning formula – the OF PRO series of fish food for Goldfish, Discus, Blood Parrot, Miniature Fish, as well as marine fish – amongst others.

Community Involvement

Qian Hu's Community Involvement Policy is based on 3Cs – Charity, Community and Commitment. We proactively seek opportunities to participate in initiatives to promote philanthropy, social causes, as well as business and entrepreneurship in our community.

We believe that by integrating social responsibility throughout an organisation and having our Qian Hu Family work cohesively on these initiatives brings benefits – not only to the community, but also ourselves as the same spirit of commitment and working together for the common cause is crucial in unifying a workforce.

GIVING BACK TO OUR COMMUNITY

Since 2001, our employees have been encouraged to be involved in community activities, and donate to these selected charities. Our employees visited the Lee Ah Mooi Old Age Home in April this year, as well as the Lions Home for the Elders in December as part of the effort to do our part for community. Each of our Singapore subsidiaries donated generously to this meaningful cause, and this was matched by the Company dollar-for-dollar as well.

We also conduct regular free farm visits for underprivileged children and handicapped welfare groups, and contribute fish to schools and helps to increase fish stocks in our local reservoirs. Through our subsidiary in Malaysia, we donate dog food to animal shelters as well.

DOING OUR PART FOR THE BUSINESS COMMUNITY

Our Chairman and Managing Director, Kenny Yap, participates regularly in public speaking and sharing sessions with the wider community, ranging from local institutions and schools to international business groups. Many participants, both locally and overseas, have benefitted from these sharing sessions, which advocate the best practices in our Business Excellence journey.

In 2016, amongst others, he offered his views as a panellist at the Lianhe Zaobao Budget 2016 Roundtable amongst other academics, MPs and business and union representatives. He also spoke on topics such as entrepreneurship and innovation to MBA students from University of Southern California, and the University of California, Berkeley respectively. During the year, he also discussed the transformation of SMEs in Singapore with small and medium-sized companies in the North West Community Development Council.

Members of our senior management team are also actively engaged in various committees such as AVA's Ornamental Fish Business Cluster, and Singapore Aquarium Fish Exporters' Association. In addition, Qian Hu offers internships to the Teachers' Network as well as various polytechnics in Singapore.

Through these platforms, we believe that we can add value to the business community by sharing our entrepreneurial and industry experiences.

In FY 2016,
Qian Hu has committed more than
75 hours
on community initiatives

Environmental Initiatives

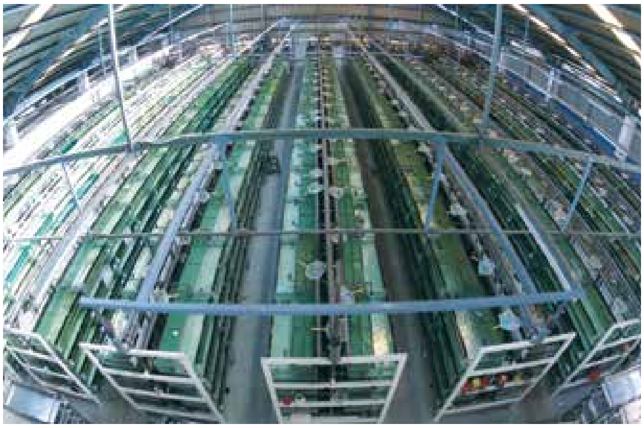
Preserving the environment is necessary for the long-term sustainability of our business, and they are mutually dependent. While creating value in our business, we aim to minimise the impact that our activities have on the environment and proactively seek alternative means for more effective and sustainable use of resources.

Since 1998, Qian Hu has been complying with the regulatory requirements of the ISO 14001:2004 certified Environmental Management System where we strive to preserve and recycle our natural and reusable resources in our daily activities of fish breeding, nurturing, retailing, trading and export. We also adhere to environment standards such as CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) and ISO9001:2008.

We also aim to balance our economic interests with environmental concerns, and this is especially relevant for businesses such as ours. We are mindful that our products come from nature and the processes we carry out have an impact on the environment. We recognise our ability to carry out some of our core business activities would not be possible without the natural resources around us, and our priority is to help preserve this environment.

Qian Hu's Environmental Policy

- Comply with all applicable laws, regulations and standards. We will also collaborate with the authorities and with other companies within the industry to develop standards and practical guides aimed at protecting natural resources, and the environment.
- Undertake programmes of continual improvement and pollution prevention.
- Reduce the use of environmental unfriendly packing materials and strive to develop alternative practices using new technologies, when available.
- Reduce resource consumption and waste generation.
- Provide the necessary training and support to staff.
- Conduct regular reviews to ensure compliance.



WATER MANAGEMENT

Water is vital for our fish farm operations and it has always been our key focus to reduce and reuse. In FY 2016, over 90% of our water consumption came from recycled water that is channeled from our in-house rainwater catchment areas built within the farm.

At one of our subsidiaries in China, our 10-tonne water storage system not only accumulates hot water in the day for use, but also provides water for fish farming after the purification process. This self-sufficient system is environmentally friendlier, and also generates up to 20% cost savings at the farm.

ENERGY CONSUMPTION

We are watchful of our energy consumption at Qian Hu. Besides tracing and implementing measures to reduce and promote the reduction of energy consumption, we have switched to alternative sources of energy through the use of solar panels in one of our subsidiaries in China. Comprising 1,200 pieces of solar tubes, the system provides sufficient energy for our tropical fish room operations during the winter months.

RECYCLYING AND REUSE OF MATERIALS

Our subsidiary, Qian Hu Tat Leng Plastic Pte Ltd manufactures high-density and low-density polyethylene bags across a wide range of commercial and industrial sectors. During the manufacturing process of the bags, Qian Hu Tat Leng Plastic gathers cut-out plastic wastage and adds this back to the manufacturing mix in their efforts to recycle and reuse materials. In addition, the company produces bio-degradable polyethylene bags in accordance with EU guidelines which are exported to Europe.

At our fish farm in Singapore, we also make every effort to recycle and reuse materials so as to minimise our overall impact on the environment. We have also put in place a waste management programme to track wastage, pursue recycling efforts and reduce the use of environmentally unfriendly packaging materials. Our staff are encouraged to sort their waste according to these categories and contribute to the continuous recycling of papers, cartons, cans and plastics through our recycling bins.

Labour Practices & Conducive Workplace

OUR HUMAN RESOURCE PHILOSOPHY

At Qian Hu, our corporate culture is one where we place "People First". This unique approach ensures that everyone is well integrated into our Qian Hu family. In addition, teamwork and entrepreneurship are also deeply entrenched in our corporate culture, and we believe all these factors contribute to our exemplary staff retention record.

We take people excellence seriously, and as one of Qian Hu's four strategic values that form the essence of the Group's core values, our people are undoubtedly a key component of our continued sustainability as a global leader in ornamental fish distribution.

Recognised as a People Developer and a recipient of the People Excellence Award by SPRING Singapore, Qian Hu firmly believes in developing excellence in our people – our best asset – through sound human resource policies and management. We are committed to engaging and developing employees to their fullest potential so as to enable them to effectively participate and contribute to the future growth of Qian Hu.

We believe our emphasis on these tenets will continue to nurture a competent workforce. Our workforce today is diverse, robust, and multi-cultural. All our Qian Hu family members are encouraged to converge fun and creative thinking in our daily lives, not limited to just the workplace but outside of work as well.

FAIR, INCLUSIVE & MERIT-BASED LABOUR PRACTICES

As part of our human rights policy, we treat all employees with respect and dignity and give fair treatment, irrespective of nationality, race or religion. We abide by labour laws and appropriate guidelines that promote fair employment practices, and we embrace the principles of fair employment.

Our equal employment opportunity policy ensures that our hiring practices are fair, merit-based and non-discriminatory. We recruit and select employees on the basis of merit – skills, experience or ability to perform the job – regardless of race, age, gender, religion, marital status and family responsibilities, or disability. We also provide equal opportunity for training and development for our employees.

Qian Hu believes in the benefits of re-employing older workers to retain and tap into their wealth of experience, and more than 11% of our workforce is currently above 50 years of age. Where possible in terms of medical health and performance, Qian Hu welcomes certain categories of employees to continue their employment beyond the retirement age of 62 years.

We believe this approach contributes to increased productivity as the most suitable person is chosen for the right jobs, and this leads to better overall employee well-being. We also believe in fostering diversity in the workplace, and as such, our employees comprise of varying race, age, gender, and ethnic and educational background.

Our flexible wage guidelines allow us to adjust wage costs quickly by way of a sizeable variable component. By adopting these guidelines, we are able to adjust and better manage our wage costs in bad times, ensuring we stay nimble in managing wage costs to stay viable. In turn, our employees can enjoy better job security whilst we steer away from a typical seniority-based wage system, and they can also enjoy bigger bonuses in good times.

In addition, we do not engage in child labour or undertake unethical means to directly manufacture or provide business services in our businesses. We do not engage indirectly either in business with partners, suppliers or third party manufacturers that are known to use unethical means in their business processes.

SAFE & CONDUCIVE WORKPLACE

Creating a safe and conducive workplace is one of our prerogatives, and our safety practices are in line with stipulated regulations and guidelines. Our in-house workplace health and safety committee regularly monitors and reviews our safety practices. The committee also monitors and tracks potential risks, which allows us to identify and rank safety hazards and address them in order of importance. Every year, the committee holds a review meeting to ensure all outstanding issues have been resolved, and that our practices remain in line with certified standards.

In order to upskill our employees in the area of workplace health and safety, we send our employees for related certified training in workplace safety and first aid on a yearly basis. We also invite external consultants to conduct trainings in introductory first-aid and using the AED (automated external defibrillator) machine at our farm. This ensures that our staff can operate the AED machine in the public area of our farm to provide immediate aid in the event of medical emergencies. In addition, our staff are also trained on the fire safety hazard processes at the farm. We hold regular fire drills and evacuation exercises in accordance with ISO14001:2004 standards. All our department heads, supervisors and staff are briefed to directly inform HR department on all accidents and injuries at the workplace, including minor cuts, which will then file reports and claims accordingly if required.

To ensure a conducive work environment, we are guided closely by our Code of Conduct and Business Ethics, which applies to all the employees under our Group. We adhere to and believe in this code, and we will take disciplinary action towards misdemeanours which will affect our workplace environment and culture.

Amongst others, these inappropriate workplace behaviours include failure to observe safety instructions or that will endanger the life or safety of another person, laziness and inefficiency, not taking proper care of company tools and equipment, not keeping the workplace clean or tidy, theft or fraud within the company, demanding, offering or accepting bribes or any legal gratification, or disclosing information or trade secrets of the Company without permission.

Qian Hu also holds strong views on anti-corruption, and we require our employees to comply with the relevant anti-corruption legislation in all the markets where we operate. Our employees are also required to comply when giving or receiving gifts, or dealing with entertainment, sponsorships and charitable contributions.

Labour Practices & Conducive Workplace

EMPLOYEE DEVELOPMENT & WELLNESS

Our strong focus on our workforce is line with our vision of being an employer of choice, and we work hard to continuously attract, retain and develop talent.

Apart from on the job training, our employees attend courses on training on workplace safety, supervisory skills, problem solving and language enhancement. All training processes are closely monitored and tracked by the line managers and our HR department to ensure that our employees' development and learning needs are adequately fulfilled. In fact, Qian Hu's training participation rates and training intensity in past years, as defined by the Ministry of Manpower (MOM), are comparable and better in most categories than the national averages.

We believe that our employees' development and wellness go hand-in-hand, and as such, our policies are structured to support both facets of our employee's well-being. A complimentary annual health screening programme ensures that general health checks are made easily accessible to employees by way of mobile health trucks. This year, we held regular group activities such as bowling, and power drumming sessions to foster interaction and bonding. We also celebrate our employees' birthdays on a monthly basis.

EMPLOYEE COMMUNICATIONS & ENGAGEMENT

In ensuring open communication channels with our employees across the Group on the business developments and activities of the Group, we publish a bi-annual in-house newsletter "FISH MATRIX" which is disseminated to employees, and made available on our website as well. All the senior managers from the divisions and subsidiaries also hold regular briefings with our employees to ensure that important strategies and inspirational messages are personally delivered and emphasised.

Since 2014, we have set up and developed our own novel, expedient way to disseminate corporate messages to our employees through our own short messaging broadcast system. These SMS notifications inform our staff of corporate activities, act as reminders and help communicate other staff-related content in a much quicker manner. The response from our employees has been very positive as the content is pushed automatically to them. In addition, each of our subsidiaries and divisions regularly utilise popular chat platforms in their market such as WeChat and LINE messenger to set up company-wide chat groups and exchange information.

Total of 550 employees as at 31 December 2016

186
based in Singapore. The rest from overseas subsidiaries in Malaysia, China, Thailand and Indonesia

62.9% Male
37.1% Female

22.5%
more than 10 years of service

20.9%
5 - 10 years of service

11.8%
employees above 50 years of age

PROVIDING FEEDBACK PLATFORMS

Qian Hu takes a holistic approach in ensuring there are sufficient platforms for feedback throughout the organisation as a whole, which also serves as a gateway to building stronger working relationships across all levels.

An Employee Opinion Survey is used to gather feedback, which enables the senior management team to gain insights into their performance as a leader and overall behaviour. This platform also enables us to highlight and monitor areas for improvement on an ongoing basis.

Every quarter, we host a dialogue session to promote open and healthy two-way communication with our staff. Our senior management takes on questions from our employees, and addresses their areas of concerns to ensure a common understanding.

A whistle-blowing policy is also in place within the Group to aid in the deterrence and reporting of corporate malpractice and misconducts. The policy is endorsed by our Audit Committee, which provides the mechanisms where employees of the Company may, in good faith and in confidence, raise concerns or observations about possible corporate malpractices and misconduct in financial reporting or other matters directly to Mr Chang Weng Leong, Chairman of the Remuneration Committee.

Details of the whistle-blowing policies ad arrangements have been made available to all employees. Through a well-defined process, all issues will be duly and independently investigated and handled with the appropriate measures. Furthermore, we provide assurance that employees will be protected from reprisal within the limits of the law.

Our Audit Committee takes responsibility to review and report all whistle-blowing issues at the quarterly Board meetings. In the case of serious offences and/or criminal activities in the Group, the Audit Committee and the Board have access to the appropriate external advice where necessary. Where appropriate or required, we will file a formal report with the relevant government authorities for further investigation or action.

Labour Practices & Conducive Workplace

Training budget is pegged at approximately **4%** of our total payroll

Each employee spent approximately **33 hours** on average in training for 2016

BUSINESS CONTINUITY & SUCCESSION PLANNING

Succession planning is an essential process for maintaining growth momentum and business continuity, particularly amidst our evolving industry landscape. Since 2004, Qian Hu has put in place a structured succession programme to prepare a team of future leaders for the Group's long-term sustainability.

Our management trainees have been undergoing a rigorous grooming process, which involves having them rotated to the various locations within the Group to handle different portfolios and evaluate their performance in challenging business environments. This would ensure that they embrace the Group's culture of placing the Company's interests before personal interests, be able to handle stress, and yet be hungry and ambitious.

Qian Hu's future CEO will be assessed and nominated by the Board's Nominating Committee and supported with peer appraisals. It is the policy of the Company that the selection would be based purely on the individual's merit, such that the family members would not be given any special preference.

Investor Relations

Since our listing in 2000, Qian Hu has always upheld transparent and timely communications of its business strategies and performance to all of our stakeholders - investors, analysts, media and shareholders – in line with the highest standards of corporate governance.

Our relentless efforts in board management, risk governance, disclosure and sustainability, and in ensuring that the Group complies wholeheartedly with all the rules and regulatory requirements have been recognised continually by the business communities in Singapore and overseas. Our compliance culture is anchored on transparency, responsiveness and an emphasis on respecting both the letter and spirit of the law and regulations in the countries we operate in. Testament to our commitment in this area, our scores in the Governance and Transparency Index over the years have always placed us in the upper echelon of the rankings.

Lauded for consistently being one of the earliest to report its financial results every quarter, we are committed to ensuring that our unaudited results are released within 20 days from the end of the quarter, and audited full-year results are released within 15 days from the financial year end. In fact, we have constantly outperformed our own targets over the last 5 years by releasing our audited results within an average of 12 days after the end of the financial period.

We also ensure that we provide various communications platforms to bring our results to our stakeholders. Twice a year, our senior management team hosts a joint briefing for analysts, fund managers, the media and a small group of forum participants from Shareinvestor.com at our half-year and full-year results, where they are taken through a PowerPoint presentation. Each quarterly announcement is accompanied by a press release in both English and Chinese languages. For those unable to attend or prefer to watch the briefing at their convenience, a delayed video webcast is also available.

Once a year, at the full-year results briefing, we equip our shareholders with our financial information for the year by compiling all our financial materials in a unique "mini annual report". The mini annual report includes a message from our Chairman, press releases, presentation slides and the financial statements announcements.

The Annual General Meeting (AGM) is an important platform for shareholder communications. Qian Hu has developed several channels, which include our website, email or fax, for shareholders who are not able to attend the AGM to contribute their feedback and inputs. Detailed AGM minutes are posted on our website and the Singapore Exchange Securities Trading Limited (SGX) website within three business days after the meeting.

Our investor relations website - http://qianhu.listedcompany.com - is updated regularly with comprehensive data comprising SGX announcements, calendar of events, financial results, annual reports and investor presentations. The site also houses our corporate governance report, investors' Q&As and detailed minutes of our AGMs.

In addition, our investor relations team focuses on facilitating close communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns. The team has procedures in place to respond to investors' queries in a timely manner, and also works to keep our investing public apprised of our corporate developments and financial performance.

Outside of the financial announcement periods, when necessary and appropriate, our Chairman will meet analysts and fund managers who are looking to seek a better understanding of the Group's operations. Our Chairman also engages with local and foreign investors regularly to ensure that we are attuned to the investment community's needs. Where opportunities arise, our Chairman conducts media interviews to share Qian Hu's strategy with the wider public.

By supplying our stakeholders with reliable and timely information, and ensuring open platforms of mutual communication, we are able to strengthen our relationships with our stakeholders on the basis of trust and confidence in transparency, and ease of accessibility.

Committed to excellence in corporate reporting, Qian Hu continues to adopt international best practices. Since 2011, Qian Hu embraced sustainability reporting when the SGX first published the voluntary "Guide to Sustainability Report for Listed Companies".

Only listed company to have bagged the most number of awards at the Singapore Corporate Awards since its inception in 2006

13 awards in total:
- **8 Gold**
- **2 Bronze**
- **2 Merit**

Across 4 categories:
- **Best Managed Board**
- **Best Investor Relations**
- **Best Annual Report**
- **Best Chief Financial Officer**

1st listed company to engage the investing community via the Q&A online forum at Shareinvestor.com every quarter since 2001

1st listed company to provide detailed minutes, including shareholders' questions and comments, as well as responses from the Board and Management at AGMs

INVESTOR RELATIONS TEAM CONTACT

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Ho See Kim
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Corporate Governance Report

The Board of Directors (the "Board") of Qian Hu Corporation Limited (the "Company") and its subsidiaries (the "Group") are firmly committed to ensuring a high standard of corporate governance which is essential to the long-term sustainability of the Group's business and performance.

This report, set out in a tabular form, describes the Group's corporate governance structures and practices that were in place throughout the financial year ended 31 December 2016, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") issued in May 2012, which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited.

The Board is pleased to confirm that for the financial year ended 31 December 2016, the Group has adhered to the principles and guidelines as set out in the Code. In so far as any guideline has not been complied with, the reason has been provided.

I. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
1.1 The Board's role is to: (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives; (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets; (c) review management performance; (d) identify the key shareholder groups and recognise that their perceptions affect the company's reputation; (e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.	The primary function of the Board is to provide entrepreneurial leadership so as to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board's role is to: • guide the formulation of the Group's overall long-term strategic plans and performance objectives as well as operational initiatives; • establish and oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance; • review and approve annual budgets, major funding proposals, investment and divestment proposals; • oversee the business affairs of the Company and monitor the performance of the management; • set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and duly met; • consider sustainability issues such as environmental and social factors as part of its strategic formulation; and • assume responsibility for corporate governance.

Corporate Governance Report
(cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
1.2 All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.	All directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.
1.3 The Board may delegate the authority to make decisions to any board committee but without abdicating its responsibility. Any such delegation should be disclosed.	To assist the Board in the execution of its responsibilities and to enhance the Company's corporate governance framework, various Board Committees, namely the Executive Committee, Audit Committee ("AC"), Remuneration Committee ("RC"), Nominating Committee ("NC") and Risk Management Committee ("RMC") have been constituted with clearly defined terms of reference. These terms of reference are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of the Board Committee meetings are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Details on Board's delegation are set out in Guideline 1.5. Please refer to Table 1 – Board and Board Committees.
1.4 The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's Annual Report.	The schedule of all the Board and Board Committee meetings as well as the Annual General Meeting ("AGM") for the next calendar year is planned well in advance. The Board meets at least four times in a year. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. The Constitution of the Company provide for directors to conduct meetings by teleconferencing or videoconferencing. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circulating resolutions. Please refer to Table 2 – Attendance at Board and Board Committee Meetings.

Guidelines of the Code	Qian Hu Corporate Governance practices
1.5 Every company should prepare a document with guidelines setting forth: (a) the matters reserved for the Board's decision; and (b) clear directions to Management on matters that must be approved by the Board. The types of material transactions that require board approval under such guidelines should be disclosed in the company's Annual Report.	The Group has adopted internal guidelines governing matters that require the Board's approval. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Board Committees and the Management via a structured Delegation of Authority matrix, which is reviewed on a regular basis and accordingly revised when necessary. The Delegation of Authority matrix forms a guideline and provides clear directions on matters requiring Board's approval which include: • annual budgets and business plan of the Group; • material acquisition and disposal of assets/ investments; • corporate/financial restructurings or corporate exercise; • issuance of shares, declaration of interim dividends and other returns to shareholders; • matters as specified under the Singapore Exchange Securities Trading Limited's ('SGX-ST') interested person transaction policy ; and • announcement of the Group's quarterly, half year and full year results and the release of the Annual Reports.
1.6 Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the company's business and governance practices. The company should provide training for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate. It is equally important that all directors should receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.	There were no incoming directors during the course of the financial year. When the directors were appointed, the Company conducted a comprehensive orientation programme, which was presented by the CEO, to provide them with extensive background information about the Group's structure and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors have the opportunity to visit the Group's operational facilities and to meet with the Management to gain a better understanding of the Group's business operations. The orientation programme gives the directors an understanding of the Group's businesses to enable them to assimilate into their new role. It also allows the new directors to get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management.

Corporate Governance Report
(cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.	The Board as a whole is kept up-to-date on pertinent business developments in the business, including the key changes in the relevant regulatory requirements and financial reporting standards, risk management, corporate governance and industry specific knowledge so as to enable them to properly discharge their duties as Board or Board Committee members. New releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the directors are circulated to the Board. The Company Secretary informs the directors of upcoming conferences and seminars relevant to their roles as directors of the Company. The Company has an on-going budget for all directors to attend appropriate courses, conferences and seminars conducted by external professionals for them to stay abreast of relevant business developments and outlook. ***Seminars and trainings attended by directors in FY 2016*** The details of updates, seminars and training programmes attended by the directors in FY 2016 include: • the external auditors, KPMG LLP, briefed the AC and the Board on the developments in financial reporting and governance standards • the CEO updated the Board at each meeting on business and strategic developments pertaining to the Group's business • Seminar on "Financial Reporting Updates" organised by EY LLP • Seminar on "The State of Corporate Governance Disclosures in Singapore" jointly organised by the Singapore Institute of Directors ("SID"), SGX and KPMG LLP • SID Directors' Conference 2016 : Digital Disruption organised by the SID • Launch of the "Remuneration Committee Guide" organised by the SID • Launch of "Singapore Directorship Report 2016" jointly organised by the SID and the Institute of Singapore Chartered Accountants ("ISCA") • Sustainability Reporting Forum : Embarking on Sustainability Reporting Journey for CFOs organised by ISCA • SID Corporate Governance Roundup 2016 organised by SID

Guidelines of the Code	Qian Hu Corporate Governance practices
1.7 Upon appointment of each director, the company should provide a formal letter to the director, setting out the director's duties and obligations.	A formal letter of appointment is furnished to every newly-appointed director upon their appointment explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board. No new director was appointed during the year under review.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guidelines of the Code	Qian Hu Corporate Governance practices
2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	The Board comprises eight directors of whom four are independent directors. Please refer to Table 1 – Board and Board Committee.
2.2 The independent directors should make up at least half of the Board where: (a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director.	Where the Chairman and the CEO is the same person, the independent directors should make up at least half of the Board. The Company has complied with the relevant guideline of the Code as half of the Board is make up of independent directors.

Corporate Governance Report
(cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
2.3 An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. If the Board wishes to consider the director as independent, in spite of the existence of one or more of these relationships as defined in the Code, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.	The independence of each director is assessed and reviewed annually by the NC. In its deliberation as to the independence of a director, the NC took into account examples of relationships as set out in the Code, considered whether a director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgments. Each independent director is required to complete a ***Director's Independence Checklist*** annually to confirm his independence based on the guidelines as set out in the Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. During the financial year, the Group received professional services rendered from Alchemy Business Consultants which Mr Chang Weng Leong has an interest. The NC is of the view that the business relationship with Alchemy Business Consultants has not interfered with the exercise of independent judgement in the best interest of the Company by Mr Chang in the discharge of his duties as directors. As such, he should be deemed independent. Accordingly, the NC has determined that all the four non-executive directors are independent. With four of the eight directors deemed to be independent, including independence from the substantial shareholders of the Company, the Board is able to exercise independent and objective judgment on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its shareholders. No individual or small group of individuals dominates the Board's decision making. The Board has no dissenting view on the "Letter From the Chairman" to the shareholders as set out on pages 8 to 11 of this Annual Report for the financial year under review.

Guidelines of the Code	Qian Hu Corporate Governance practices
2.4 The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.	The Board recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board. Currently, Mr Chang Weng Leong and Mr Tan Tow Ee have served on the Board for more than nine years from the date of their first appointment. The Board has subjected their independence to a particularly rigorous review by all the other directors, before extending their tenures as directors. After due consideration and with the concurrence of the NC, the Board is of the view that Mr Chang Weng Leong and Mr Tan Tow Ee have demonstrated strong independence character and judgement over the years in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification and amplification as they deemed necessary, including through direct access to the Management. Taking into account the above, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has resolved that Mr Chang and Mr Tan continue to be considered independent directors, notwithstanding they have served on the Board for more than nine years from the date of their first appointment.

Corporate Governance Report
(cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
2.5 The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees. The Board should not be so large as to be unwieldy.	The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, considers that a board size of between six to eight members as appropriate. The Board believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity without interfering with efficient decision-making.
2.6 The Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.	To assist the NC in its annual review of the directors' mix of skills and experiences that the Board requires to function competently and efficiently, all directors submitted a **Director Competency Matrix Form**, providing information of their areas of specialization and expertise. The NC, having reviewed the completed forms, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business. The Board includes two female directors in recognition of the importance and value of gender diversity.
2.7 Non-executive directors should: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.	The Board and the Management fully appreciate that an effective and robust board whose members engage in open and constructive debate and challenge the Management on its assumptions and proposals is fundamental to good corporate governance. A board should also aid in the development of strategic proposals and oversees the effective implementation by Management to achieve set objective.

Guidelines of the Code	Qian Hu Corporate Governance practices
	For this to happen, the Board, particularly the independent directors, which are non-executive directors, must be kept well informed of the Group's business and be knowledgeable about the industry the Group operates in. To ensure that the independent directors are well supported by accurate, complete and timely information, they have unrestricted access to Management, and have sufficient time and resources to discharge their oversight functions effectively. The independent directors also receive board briefings on prospective deals and potential development at an early stage before formal board approval is sought, and in circulation on the relevant information on latest market development and trends, and key business initiatives in relation to the Group or the industries in which it operates.
2.8 To facilitate a more effective check on Management, non-executive directors are encouraged to meet regularly without the presence of Management.	The independent directors meet on a need-be basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guidelines of the Code	Qian Hu Corporate Governance practices
3.1 The Chairman and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.	The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

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Guidelines of the Code	Qian Hu Corporate Governance practices
	All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC, NC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.
3.2 The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role; (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (c) promote a culture of openness and debate at the Board; (d) ensure that the directors receive complete, adequate and timely information; (e) ensure effective communication with shareholders; (f) encourage constructive relations within the Board and between the Board and Management; (g) facilitate the effective contribution of non-executive directors in particular; and (h) promote high standards of corporate governance.	The Group's Executive Chairman and CEO, Mr Kenny Yap Kim Lee, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. In addition to managing the day-to-day business operations of the Group, he is to ensure that each member of the Board and the Management works well together with integrity and competency. As the Executive Chairman and CEO, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepares the agenda for Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item, in particular strategic issues. He promotes an open environment for debate, and ensures that independent directors are able to speak freely and contribute effectively. In addition, he sets guidelines and exercise control over the quality, quantity, accurateness and timeliness of information flow between the Board and the Management. He plays a pivotal role in fostering constructive dialogue between shareholders, the Board and the Management at AGMs and other shareholders meetings. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices with the full support of the Board, Company Secretary and the Management.

Guidelines of the Code	Qian Hu Corporate Governance practices
3.3 Every company should appoint an independent director to be the lead independent director where (a) the Chairman and the CEO is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team or; (d) the Chairman is not an independent director. The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the chief financial officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate.	The Board has appointed Mr Tan Tow Ee as the lead independent non-executive director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO or CFO has failed to resolve or is inappropriate.
3.4 Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.	The independent directors, led by the lead independent director, meet amongst themselves without the presence of the other directors where necessary, and the lead independent director will provide feedback to the Executive Chairman after such meetings, where appropriate.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
4.1 The Board should establish a NC to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.	The Board established the NC in July 2002 which consists of three independent directors. The NC Chairman is not associated in any way with the substantial shareholders of the Company. Please refer to Table 1 – Board and Board Committee – on the names of the members and the composition of the NC. The key terms of reference of the NC are set out on page 105 of this Annual Report.

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Guidelines of the Code	Qian Hu Corporate Governance practices
4.2 The NC should make recommendations to the Board on relevant matters relating to : (a) the review of board succession plans for directors, in particular, the Chairman and for the CEO; (b) the development of a process for evaluation of the performance of the Board, its board committees and directors; (c) the review of training and professional development programs for the Board; and (d) the appointment and re-appointment of directors (including alternate directors, if applicable). Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.	The responsibilities of the NC are, among other things, to make recommendations to the Board on all Board appointments, re-appointments and oversee the Board and key management personnel's succession and leadership development plans. ***Succession planning for Board and Management*** Succession planning is an important part of the governance process. The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory. The NC reviews the succession and development plans for key management personnel, which are subsequently approved by the Board. As part of this annual review, the successors to key positions are identified, and development plans instituted for them. *(more details are set out in the "Business Continuity & Succession Planning" section on page 58 of this Annual Report)* ***Process for selection and appointment of new directors*** The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors. When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy. The NC seeks potential candidates widely and beyond directors/ management recommendations and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary. The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as director.

Guidelines of the Code	Qian Hu Corporate Governance practices
	Process for re-appointment of directors The role of the NC also includes the responsibility of reviewing the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC. All directors, including the CEO, submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Pursuant to Regulation 89 of the Company's Constitution, one-third of the Board are to retire from office by rotation and be subject to re-appointment at the Company's AGM. In addition, Regulation 88 of the Company's Constitution, provides that a newly appointed director must retire and submit himself for re-appointment at the next AGM following his appointment. Thereafter, he is subject to be re-appointed at least once every three years. The Board recognises the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of the directors as necessary.
4.3 The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.	The NC is charged with determining the independence of the directors as set out under Guideline 2.3 and 2.4 above. The Board, after taking into consideration the views of the NC, is of the view that Mr Tan Tow Ee, Mr Chang Weng Leong, Ms Sharon Yeoh Kar Choo and Dr Ling Kai Huat are independent and that, no individual or small group of individual dominates the Board's decision-making process.

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Guidelines of the Code	Qian Hu Corporate Governance practices
4.4 The NC should decide if a director is able to and has been adequately carrying out his/her duties as a director of the company, taking into consideration the director's number of listed company board representations and other principal commitments. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.	All directors are required to declare their board representations. When a director has multiple board representation, the NC will consider whether the director is able to adequately carry out his/her duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments. The NC has reviewed and is satisfied that Ms Lai Chin Yee, who sits on multiple boards, has been able to devote sufficient time and attention to the affairs of the Company to adequately discharge her duties as director of the Company, notwithstanding her multiple board appointments. The Company's current policy stipulates that a director should not have in aggregate of more than four listed company board representations and other principal commitments concurrently so as to be able to devote sufficient time and attention to the affairs of the Company to adequately discharge his/her duties as director of the Company.
4.5 Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director.	Currently, there is no alternate director on the Board.
4.6 A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.	Please refer to Guideline 4.2 above.

Guidelines of the Code	Qian Hu Corporate Governance practices
4.7 The following information regarding directors, should be disclosed in the company's Annual Report: • academic and professional qualifications; • shareholding in the company and its related corporations; • board committees served on (as a member or chairman), date of first appointment and last re-appointment as a director; • directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments; • indicate which directors are executive, non-executive or considered by the NC to be independent; and • the names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions.	The profiles of the directors are set out on pages 14 to 17 of this Annual Report. The shareholdings of the individual directors of the Company are set out on page 115 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company. Directors who are seeking re-appointment at the forthcoming AGM to be held on 22 March 2017 are stated in the Notice of AGM set out on pages 186 to 188 of this Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
5.1 Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.	The Board, through the NC, has used its best effort to ensure that directors appointed to the Board and the Board Committees, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made. The NC has established a review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual directors to the effectiveness of the Board.

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Guidelines of the Code	Qian Hu Corporate Governance practices
	Board Evaluation During the financial year, all directors are requested to complete a **Board Evaluation Questionnaire** designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The completed evaluation forms were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each director is contributing to the overall effectiveness of the Board. The performance criteria for the board evaluation are in respect of board size and composition, board independence, board processes, board information and accountability, board performance in relation to discharging its principal functions and board committee performance in relation to discharging their responsibilities as set out in their respective terms of reference, and financial targets which include profit after tax, earnings per share, return on assets, debt-equity ratio, dividend payout ratio and total shareholder return. ***Individual Director Evaluation*** Individual director's performance is evaluated annually and informally on a continual basis by the NC and the Chairman of the Board. Some factors taken into consideration by the NC and the Chairman include the value of contribution to the development of strategy, availability at board meetings (as well as informal contribution via email and telephone), interactive skills, degree of preparedness, industry and business knowledge and experience each director possess which are crucial to the Group's business.

Guidelines of the Code	Qian Hu Corporate Governance practices
	Chairman Evaluation The evaluation of the Chairman of the Board is undertaken by the RC and the NC, and the results are reviewed by the Board. The assessment of the Chairman of the Board is based on his ability to lead, whether he established proper procedures to ensure the effective functioning of the Board and that the time devoted to board meetings were appropriate and are conducted in a manner that facilitate open communication and meaningful participation for effective discussion and decision-making by the Board. He has also to ensure that Board Committees formed were appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.
5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholder value.	The NC and the Board reviews its performance against qualitative and quantitative targets on an annual basis. Please refer to Guideline 5.1 above.
5.3 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and board committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.	The primary objective of the board evaluation exercise is to create a platform for the Board and Board Committees members to provide constructive feedback on the board procedures and processes and the changes which should be made to enhance the effectiveness of the Board and Board Committees. The individual director evaluation exercise assists the NC in determining whether to re-nominate directors who are due for retirement at the forthcoming AGM, and in determining whether directors with multiple board representations are able to and have adequately discharged their duties as directors of the Company. Nonetheless, replacement of a director, when it happens, does not necessarily reflect the director's performance or contributions to the Board, but may be driven by the need to align the Board with the medium or long term needs of the Group.

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Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Guidelines of the Code	Qian Hu Corporate Governance practices
6.1 Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfill his duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.	All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with complete, accurate and adequate information in a timely manner to enable them to be fully cognisant of the decisions and actions of the Group's key management personnel. As a general rule, Board papers prepared for each meeting are normally circulated four to five days in advance of each meeting. This is to give directors sufficient time to review and consider the matters to be discussed so that discussions can be more meaningful and productive. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. The Board papers provide sufficient background and explanatory information from the Management on financial impact, business strategies, risk analysis, regulatory implications and corporate issues to enable the directors to be properly briefed on issues to be considered at Board and Board Committees meetings. Such explanatory information may also be in the form of briefings to provide additional insights to the directors or formal presentations made by the Management in attendance at the meetings, or by external consultants engaged on specific projects. The directors have separate and independent access to the Company Secretary and to other key management personnel of the Group at all times through email, telephone and face-to-face meetings. Any additional materials or information requested by the directors to make informed decisions is promptly furnished.

Guidelines of the Code	Qian Hu Corporate Governance practices
6.2 Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	The Board receives quarterly management financial statements, periodic cash flow projections, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.
6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its board committees and between Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.	Under the direction of the Chairman, the Company Secretary ensures timely and good information flows within the Board and its Board Committees and between the Management and independent directors. The Company Secretary assists the Chairman and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committees meetings. She administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Listing Rules of the SGX-ST, are complied with. As the primary compliance officer for the Group's compliance with the Listing Rules, the Company Secretary is responsible for designing and implementing a framework for the Management to comply with the Listing Rules, including advising the Management to ensure that material information is disclosed on a prompt basis. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term stakeholders' value.
6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole.	The appointment and the removal of the Company Secretary are subject to the approval of the Board.

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Guidelines of the Code	Qian Hu Corporate Governance practices
6.5 The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, and at the company's expense.	Where the directors, whether individually or collectively, require independent professional advice in furtherance of their duties, the Company Secretary will assist in appointing a professional advisor to render the relevant advice and keep the Board informed of such advice. The cost of obtaining such professional advice will be borne by the Company.

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Guidelines of the Code	Qian Hu Corporate Governance practices
7.1 The Board should establish a Remuneration Committee ("RC") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.	The Board established the RC in July 2002 which consists of three independent directors. Please refer to Table 1 – Board and Board Committee – on the names of the members and the composition of the RC. The key terms of reference of the RC are set out on page 105 of this Annual Report.

Guidelines of the Code	Qian Hu Corporate Governance practices
7.2 The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind.	The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy and for determining the remuneration packages of individual directors and key management personnel. It assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholders' value. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director. In addition, the RC reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment of and recommendation for remuneration and bonus. No member of the RC is involved in deliberating and deciding in respect of any remuneration, compensation or any form of benefits to be granted to him.
7.3 If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.	The RC, has explicit authority within its terms of reference to seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters where necessary. During the financial year, the RC did not require the service of an external remuneration consultant.
7.4 The RC should review the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.	The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC also aims to be fair and avoid rewarding poor performance.

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Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guidelines of the Code	Qian Hu Corporate Governance practices
8.1 A significant and appropriate proportion of executive directors and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors and key management personnel's performance.	The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks. Executive Directors do not receive directors' fees but are remunerated as members of Management. The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. Service contracts for Executive Directors, are for a fixed appointment period and do not contain onerous removal clauses.

Guidelines of the Code	Qian Hu Corporate Governance practices
8.2 The RC should encourage long-term incentive schemes and review whether executive directors and key management personnel are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.	The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.
8.3 The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.	The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2016 is appropriate and not excessive, taking into consideration the level of contributions by the directors and factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company. The Company does not have any share-based compensation schemes or any long-term scheme involving the offer of shares in place to encourage independent directors to hold shares in the Company.
8.4 Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.	Having reviewed and considered the variable components of the Executive Directors and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. In addition, the Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

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Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Guidelines of the Code	Qian Hu Corporate Governance practices
9.1 The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.	Please refer to Table 3 – Remuneration of directors and top five key management personnel
9.2 The company should fully disclose the remuneration of each individual director and the CEO on a named basis. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.	Please refer to Table 3.
9.3 The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of said top five key management personnel.	Please refer to Table 3.

Guidelines of the Code	Qian Hu Corporate Governance practices
9.4 The annual remuneration report should disclose, on a name basis, with clear indication of which director or the CEO the employee is related to, the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. Disclosure of remuneration should be in incremental bands of S$50,000.	Please refer to Table 3.
9.5 The annual remuneration report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies.	The Company does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.
9.6 The company should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance.	Please refer to Guideline 8.1 above.

III. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guidelines of the Code	Qian Hu Corporate Governance practices
10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	The Board reviews and approves the results as well as any announcements before its release. Shareholders are provided with the first three quarters and the full-year financial statements no later than 20 days from the end of the quarter and within 15 days from the financial year end respectively. In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospects. Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

Corporate Governance Report
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Guidelines of the Code	Qian Hu Corporate Governance practices
10.2 The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.	The Board review legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its interim quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. In addition, the Company had, pursuant to the amended Rule 720(1) of the Listing Manual of the SGX-ST, received undertakings from all its directors and executive officers that they each shall, in the exercise of their powers and duties as directors and officers comply with the best of their abilities with the provisions of the SGX-ST's listing rules, the Securities and Futures Act, the Code on Takeovers & Mergers, and the Companies Act and will also procure the Company to do so. For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the Group's financial statements. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal controls systems in place, including financial, operational, compliance and information technology controls. *(Please refer to Guideline 11.3 below)*
10.3 Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.	The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. All Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making. The Management also highlighted key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guidelines of the Code	Qian Hu Corporate Governance practices
11.1 The Board should determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against the occurrence of material errors or poor judgment in decision-making. Risk assessment and evaluation has become an essential part of the business planning and monitoring process. The Group has put in place a documentation on its risk profile which summarizes the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the AC and the Board annually. The documentation provides an overview of the Group's key risks, the appropriate risk tolerance limits set for the respective risks and their potential impact to the Group. Having identified the risks to the achievement of the Group's strategic objectives, each business unit is required to document the mitigating actions in place and/or proposed in respect of each significant risk. It allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation. An overview of the key risks, the extent of the Group's exposure and the approach to managing these risks are set out in the "Risk Management" section on pages 110 to 113 of this Annual Report.

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Guidelines of the Code	Qian Hu Corporate Governance practices
11.2 The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	The AC is assisted by the Risk Management Committee ("RMC"), which was formed in FY 2013, as part of the Group's efforts to strengthen its risk management processes and framework, in overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control systems.' The key terms of reference of the RMC are set out on page 106 of this Annual Report. On an annual basis, the internal audit function prepares the internal audit plan taking into consideration the risks identified which is approved by the AC. During the financial year, the AC reviewed the reports submitted by the internal auditors relating to the audits conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems put in place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, major control weaknesses on financial reporting identified in the course of the statutory audit, if any, are highlighted by the external auditors to the AC.
11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.	Please refer to Guideline 11.2 above. For the financial year under review, the CEO and the CFO have provided assurance to the Board that the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including financial, operational, compliance and information technology risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

Guidelines of the Code	Qian Hu Corporate Governance practices
The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.	Based on Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the AC, is of the view that the risk management and internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2016.
11.4 The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.	Please refer to Guideline 11.2 above.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.1 The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors. The Board should disclose in the company's Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.	The Board established the AC in October 2000 which now consists of four independent directors. Please refer to Table 1 – Board and Board Committee – on the names of the members and the composition of the AC. The key terms of reference of the AC are set out on page 104 of this Annual Report.
12.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.	The Board considers Mr Tan Tow Ee, who has extensive and practical financial management knowledge and experience, is well qualified to chair the AC. The Board is satisfy that the AC members, collectively, have relevant accounting and related financial management expertise or experience and are appropriately qualified to discharge their responsibilities.

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Guidelines of the Code	Qian Hu Corporate Governance practices
12.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.	The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any Executive Director or key management personnel to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly. The AC met four times in the financial year ended 31 December 2016 and the Executive Directors are invited to attend the meetings.
12.4 The duties of the AC should include:	
(a) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;	The AC meets on a quarterly basis to review the quarterly and the audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the AC reviews the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the Group's financial performance so as to ensure the integrity of the financial statements. *(More details are set out in the "Audit Committee Report" on pages 107 to 109 of this Annual Report.)*
(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);	The AC reviews the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems through discussion with Management and its auditors and report to the Board annually.
(c) reviewing the effectiveness of the company's internal audit function;	The AC annually reviews the adequacy and effectiveness of the internal audit function to ensure that the internal audit resources are adequate and that the internal audits are performed effectively.

Guidelines of the Code	Qian Hu Corporate Governance practices
	The AC examines the internal audit plans, determines the scope of audit examination and approves the internal audit budget. It also oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function.
(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and	The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.
(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.	The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors is always subject to shareholders' approval at the AGM of the Company.
12.5 The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.	The AC meets with the external auditors and the internal auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.
12.6 The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.	The AC undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit services provided and the fees paid to them. During the current financial year, there was no non-audit related work carried out by the external auditors; hence, there was no fee paid in this respect. The AC is satisfied with their independence and has recommended the re-appointment of the external auditors at the forthcoming AGM of the Company. The fees payable to auditors is set out on page 168 of this Annual Report.

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Guidelines of the Code	Qian Hu Corporate Governance practices
	The Company has complied with Rules 712 and 715 read with 716 of the Listing Manual of the SGX-ST in relation to the appointments of its external auditors. The AC and the Board are satisfied with the standard and the effectiveness of the audits performed by the independent auditors, other than those of the Company.
12.7 The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.	The Company has established a **Code of Conduct and Business Ethics** that sets the principles of the code of conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc. Directors, key management personnel and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and the law and regulations of the countries in which it operates. Nonetheless, the Company has put in place a **whistle-blowing** framework, endorsed by the AC, which provides the mechanisms where employees of the Company may, in good faith and in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to Mr Chang Weng Leong, Chairman of the RC. Details of the whistle-blowing policies and arrangements have been made available to all employees. It has a well defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that employees will be protected from reprisal within the limits of the law. The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action. There were no reported incidents pertaining to whistle-blowing for FY 2016.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.8 The Board should disclose a summary of all the AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	During the financial year, the AC has performed its duties as guided by the terms of reference which stipulate its principal functions. The primary role of the AC is to assist the Board in ensuring the integrity of the Group's financial reporting system and that an adequate and effective internal control system is in place. The AC reviewed the audit plans, evaluated the risk management framework and discussed regulatory compliance maters and accounting implications of any major transactions including significant financial reporting issues. It also assessed the internal audit functions to ensure that an effective system of control is maintained in the Group. On a quarterly basis, the AC reviewed the interested person transactions and the financial results announcements before their submission to the Board for approval. The AC is kept abreast by the Management and the external auditors of changes to the financial reporting standards, Listing Rules of the SGX-ST and other codes and regulations which could have an impact on the Group's business and financial statements, in addition to trainings and seminars conducted by professionals and external parties.
12.9 A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.	No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

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Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Guidelines of the Code	Qian Hu Corporate Governance practices
13.1 The Internal Auditor's ("IA") primary line of reporting should be to the AC Chairman although the Internal Auditor would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The Internal Auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.	The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal audit function of the Company is out-sourced to Saw Meng Tee & Partners PAC since financial year ended 31 December 2013. The IA reports primarily to the Chairman of the AC and has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.
13.2 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff.	The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the IA is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function is adequately resourced to perform its function effectively.
13.3 The internal audit function should be staffed with persons with the relevant qualifications and experience.	The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.
13.4 The Internal Auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	The IA is a member of the Singapore branch of the Institute of Internal Auditors ("IIA"), an internal professional association for internal auditors which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

Guidelines of the Code	Qian Hu Corporate Governance practices
13.5 The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.	The internal audit function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the IA may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns. Please refer to Guideline 12.4(c) above on the adequacy and effectiveness of the internal audit function.

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guidelines of the Code	Qian Hu Corporate Governance practices
14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.	The Company's corporate governance practices promote the fair and equitable treatment to all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares, so as to enable shareholders to make informed decisions in respect of their investments in Qian Hu.
14.2 Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.	Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the Business Times and posted onto the SGXNET. In order to provide ample time for the shareholders to review, the notice of AGM, together with the Annual Report 2016, is distributed to all shareholders 21 days before the scheduled AGM date. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

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Guidelines of the Code	Qian Hu Corporate Governance practices
	All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were clearly explained by the scrutineers at such general meetings.
14.3 Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	Currently, the Constitution of the Company allows all shareholders (members) to appoint up to two proxies to attend the general meetings and to vote on their behalf through proxy form sent in advance. On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guidelines of the Code	Qian Hu Corporate Governance practices
15.1 Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	Qian Hu is firmly committed to corporate governance and transparency by disclosing to its stakeholders, including its shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as to hearing its shareholders' views and addressing their concerns. Full details of the Group's investor relations (IR) initiatives are set out on pages 59 and 60 of this Annual Report.

Guidelines of the Code	Qian Hu Corporate Governance practices
15.2 Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.	All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNET, press releases and the Company's website. The Company does not practice selective disclosure of material information. All materials on the quarterly, half-yearly and full year financial results are available on the Company's website – www.qianhu.com. The comprehensive website, which is updated regularly, also contains various others investor-related information on the Company which serves as an important resource for investors.
15.3 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.	By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company has a team of investor relations (IR) personnel who focus on facilitating the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance. To enable shareholders to contact the Company easily, the contact details of the IR personnel are set out on page 60 of this Annual Report as well as on the Company's website. The IR personnel have procedures in place for responding to investors' queries as soon as applicable.

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Guidelines of the Code	Qian Hu Corporate Governance practices
15.4 The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings.	The Company notifies the investors' public in advance of the date of release of its financial results through a SGXNET announcement. Unaudited results for the first three quarters are released to shareholders no later than 20 days from the end of the quarter. Audited full-year results are released within 15 days from the financial year end. Each quarterly announcement is accompanied by a press release in both the English and Chinese languages. Joint briefings for media and analysts, with a PowerPoint presentation, are held in conjunction with the release of the Company's half-year and full year results, with the presence of the CEO, CFO and all the Executive Directors to answer the relevant questions which the media and analysts may have. Outside of the financial announcement periods, when necessary and appropriate, the CEO will meet analysts and fund managers who like to seek a better understanding of the Group's operations. The CEO also engages with local and foreign investors to solicit feedback from the investment community on a range of strategic and topical issues which should provide valuable insights to the Board on investors' views. When opportunities arise, the CEO conducts media interviews to give its shareholders and the investors' public a profound prospective of the Group's business prospects.
15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.	The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. There was no final dividend recommended in respect of the financial year ended 31 December 2016. (Please refer to reasons as set out on page 44 of this Annual Report)

Conduct of shareholder meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guidelines of the Code	Qian Hu Corporate Governance practices
16.1 Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.	The Company supports active shareholder participation at general meetings. The shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategies and visions. If shareholders are unable to attend the meetings, the Constitution of the Company allows all shareholders to appoint up to two proxies to the general meetings and to vote on their behalf through proxy form sent in advance. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.
16.2 There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.	Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.
16.3 All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.	All directors, in particular the Chairpersons of the Executive, Audit, Remuneration, Nominating and Risk Management Committees are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees. The Company's external auditors, KPMG LLP, are also invited to attend the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.
16.4 Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.	The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the resolutions tabled for approval and/or ask the directors or the Management questions regarding the Company and its operations.

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Guidelines of the Code	Qian Hu Corporate Governance practices
	Since FY 2003, the Board has developed several channels, which include the Group's website, email or fax, for shareholders who are not able to attend the AGM to contribute their feedback and inputs. Detailed AGM minutes, which include comments and the questions received from shareholders, together with the responses from the Board and the Management, are publicly available on both the SGX website (www.sgx.com) and the Company's website after the meetings.
16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.	To promote greater transparency and effective participation, the Company has conducted the voting of all its resolutions by poll at all of its AGMs and EGMs since Year 2010. It started employing electronic poll voting for all of its resolutions passed at its last AGM held on 23 March 2016. The detailed results of the electronic poll voting on each resolution tabled at the AGM, including the total number of votes cast for or against each resolution tabled, were announced immediately at the AGMs and via SGXNET thereafter.

V. OTHER CORPOARTE GOVERNANCE MATTERS

DEALING IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST on best practices in respect of dealing in securities, the Group has in place an internal compliance policy which prohibits the directors, key management personnel of the Group and their connected persons from dealing in the Company's shares during the "black-out" period – being two weeks and one month immediately preceding the announcement of the Company's quarterly and full-year results respectively, or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors, key management personnel and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also refrained from dealing in the Company's shares on short-term considerations. All directors are required to seek Board's approval before trading in the Company's shares and are also required to notify the Company Secretary of any change in his interest in the Company's shares within two business days of the change.

During the year under review, there was no trading of the Company's shares by insiders.

MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interests of any director or controlling shareholder during the year under review.

INTERESTED PERSON TRANSACTIONS

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the AC, as well as the Board, meets quarterly to review if the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction are carried out based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders .

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST. Disclosure of interested person transactions is set out on page 172 of this Annual Report. There were no interested person transactions entered into by the Group in excess of $100,000 during the year under review.

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

TABLE 1 – BOARD AND BOARD COMMITTEES

Name of director	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Kenny Yap Kim Lee (Executive / Non-independent)	Chairman	-	-	-	Member
Alvin Yap Ah Seng (Executive / Non-independent)	Member	-	-	-	-
Andy Yap Ah Siong (Executive / Non-independent)	Member	-	-	-	-
Lai Chin Yee (Executive / Non- independent)	Member	-	-	-	Member
Tan Tow Ee (Non-executive / Independent)	-	Chairman	-	Member	Chairman
Chang Weng Leong (Non-executive / Independent)	-	Member	Member	Chairman	-
Sharon Yeoh Kar Choo (Non-executive / Independent)	-	Member	Chairman	Member	-
Ling Kai Huat (Non-executive / Independent)	-	Member	Member	-	-

Corporate Governance Report
(cont'd)

TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name of director	Board	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Number of meetings held	4	12	4	1	2	2
Number of meetings attended:						
Kenny Yap Kim Lee	4	12	4 *	-	-	2
Alvin Yap Ah Seng	4	12	4 *	-	-	-
Andy Yap Ah Siong	4	12	4 *	-	-	-
Lai Chin Yee	4	12	4 *	-	-	2
Tan Tow Ee	4	-	4	-	2	2
Chang Weng Leong	4	-	4	1	2	-
Sharon Yeoh Kar Choo	4	-	4	1	2	-
Ling Kai Huat	4	-	4	1	-	-

* *Attendance by invitation of the Committee*

TABLE 3 – REMUNERATION TABLE

Remuneration of directors

The breakdown of the total remuneration of the Directors of the Company for the year ended 31 December 2016 is set out below:

Name of director	Salary	Bonus	Director's fees	Total remuneration
	$	$	$	$
Kenny Yap Kim Lee	306,240	-	-	306,240
Alvin Yap Ah Seng	276,240	-	-	276,240
Andy Yap Ah Siong	276,240	-	-	276,240
Lai Chin Yee	276,240	-	-	276,240
Tan Tow Ee	-	-	30,000	30,000
Chang Weng Leong	-	-	25,000	25,000
Sharon Yeoh Kar Choo	-	-	25,000	25,000
Ling Kai Huat	-	-	25,000	25,000
	1,134,960	-	105,000	1,239,960

- The salary and bonus amounts shown are inclusive of Central Provident Fund contributions.
- The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.
- The director's fees are subject to shareholders' approval at the Annual General Meeting.

Remuneration of key management personnel

The breakdown of total remuneration of the top five key management personnel of the Group (who are not directors) for the year ended 31 December 2016 is set out below:

Name of management personnel	Salary	Bonus	Allowances & benefits	Total remuneration
	$	$	$	$
Jimmy Tan Boon Kim	258,000	-	-	258,000
Yap Kim Choon*	189,360	-	-	189,360
Lee Kim Hwat	157,528	13,080	-	170,608
Low Eng Hua	144,240	-	-	144,240
Yap Kok Cheng	126,240	-	-	126,240
	875,368	13,080	-	888,448

* *Mr Yap Kim Choon is the brother of Mr Kenny Yap Kim Lee, the Executive Chairman & CEO and cousin of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the Executive Directors.*

- The salary and bonus amounts shown are inclusive of Central Provident Fund contributions.

- The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

Remuneration of immediate family members of CEO and Executive Directors (remuneration amounts exceed $50,000 per annum)

The breakdown of total remuneration of employees who are immediate family members of the CEO and the Executive Directors whose remuneration exceed $50,000 per annum for the year ended 31 December 2016 is set out below:

Name of executive	Salary	Bonus	Allowances & benefits	Total remuneration
	$	$	$	$
Yap Ping Heng	103,920	-	-	103,920
Yap Hock Huat	101,730	-	-	101,730
Yap Kim Chuan	108,240	-	-	108,240
	313,890			**313,890**

Mr Yap Ping Heng, Mr Yap Hock Huat and Mr Yap Kim Chuan are brothers of Kenny Yap Kim Lee, the Executive Chairman & CEO and cousins of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the Executive Directors.

Corporate Governance Report
(cont'd)

APPENDIX – BOARD COMMITTEES' KEY TERMS OF REFERENCE

AUDIT COMMITTEE

- Review financial statements and formal announcements relating to financial performance, as well as discuss major risk areas and significant financial reporting issues and judgments contained in them, for better assurance of the integrity of such statements and announcements before submission for Board approval.

- Review and report to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls.

- Review the external auditors' proposed audit scope and approach and ensure that no unjustified restrictions or limitations have been placed on the scope.

- Review the cost effectiveness of the external audit, and where external auditors provide non-audit services to the Company, to review the nature, extent and cost of such services and the independence and objectivity of the external auditors.

- Review the internal audit programme with regard to the complementary roles of the external and internal audit functions.

- Receive reports of the external and internal auditors, and ensure that the significant findings and recommendations are discussed and addressed on a timely basis.

- Meet with external auditors and internal auditors, without the presence of management, at least annually.

- Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.

- Review the adequacy and effectiveness of the Company's internal audit function, at least annually.

- Ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, at least annually.
- Approve the hiring, removal evaluation and compensation of the outsourced internal audit function.

- Review the policy and arrangements by which employees of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken.

- Review and recommend for the Board's approval, all interested person transactions, as specified under Chapter 9 of the Listing Manual, to ensure that the transactions have been conducted on an arm's length basis.

- Investigate any matters within the Audit Committee's purview, whenever it deems necessary.

- Perform such other functions as the Board may determine.

NOMINATING COMMITTEE

- Review the nominations and recommend to the Board the appointment and re-appointment of directors.

- Annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and determine the suitable size of the Board which would facilitate decision-making after taking into consideration the scope and nature of the operations of the Company.

- Annual review of independence of each director, and to ensure that the Board comprises at least one-third independent directors. In this connection, the Nominating Committee should conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his first appointment.

- Where a director has multiple listed company board representations and/or other principal commitments, to decide whether the director is able to and has been adequately carrying out his duties as director of the Company.

- Recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director.

- Annual assessment of the effectiveness of the Board as a whole and of the individual directors.

- Review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman/CEO) and senior management personnel, including the training and professional development programmes for board members.

- Perform such other functions as the Board may determine.

REMUNERATION COMMITTEE

- Review and recommend to the Board a framework of remuneration for board members and key management personnel, and the specific remuneration packages for each director (executive and independent) as well as for the key management personnel.

- Review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous.

- Perform such other functions as the Board may determine.

Save that a member of this Committee shall not be involved in the deliberations in respect of any remuneration, compensation, award of shares or any form of benefits to be granted to him.

Corporate Governance Report
(cont'd)

RISK MANAGEMENT COMMITTEE

- Receive, as and when appropriate, reports and recommendations from management on risk tolerance and strategy, and recommend to the Board for its determination the nature and extent of significant risks which the Group overall may take in achieving its strategic objectives and the Group's overall levels of risk tolerance and risk policies.

- Review and discuss, as and when appropriate, with management on the Group's risk governance structure and its risk policies and risk mitigation and monitoring processes and procedures.

- Receive and review reports from management on major risk exposures and the steps taken to monitor, control and mitigate such risks.

- Review the Group's capability to identify and manage new risk types.

- Review and monitor management's responsiveness to the findings and recommendations of the internal risk division.

- Provide timely input to the Board on critical risk issues.

- Perform such other functions as the Board may determine.

Audit Committee Report

Role of the Audit Committee

The primary role of the Group's Audit Committee is to provide governance and oversight over the integrity of the Group's financial reporting and the Group's internal controls and risk management frameworks. The Committee's written terms of reference explains the Committee's role and responsibilities and are as set out on page 104 of this Annual Report.

Composition and Frequency of Meetings

The Audit Committee during the financial year ended 31 December 2016 comprises the independent non-executive Directors of the Company – Tan Tow Ee (Committee Chairman), Chang Weng Leong, Sharon Yeoh Kar Choo and Dr Ling Kai Huat. There have been no changes in the composition of the Committee since the financial year end.

The Committee considers that collectively the members have the appropriate relevant financial experience to fully discharge their responsibilities. Mr Tan Tow Ee, who has extensive and practical financial management knowledge, is considered to have the relevant financial experience to qualify as the Committee Chairman. Further details of the members' qualifications and experience are available on pages 16 and 17 of this Annual Report.

The Committee met four times during the financial year ended 31 December 2016. The meetings are scheduled around the financial reporting cycle to allow the Committee to discharge its duties in relation to the financial statements. As such, the Committee normally meets in January, April, July and October, and the attendance record of Committee members during the financial year is noted on page 102 of this Annual Report. The Executive Chairman, Executive Directors and Finance Director have a standing invitation to attend the Audit Committee meetings, with the exception of instances where the Committee meets the auditors without the executive management.

The performance of the Audit Committee was evaluated as part of the board evaluation process.

Financial reporting and significant financial issues

The role of the Audit Committee in relation to financial reporting is to monitor the integrity of the quarterly and full year financial statements and that of any formal announcements relating to the Group's financial performance. The Committee has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient.

Following discussions with management and the external auditors, the Committee has determined that the following areas are the key risks of misstatement of the Group's financial statements. The table below indicates how these matters were discussed and addressed:

Matters considered	Action
Revenue recognition - $80.5 million	The Audit Committee reviewed the methodology and gained comfort in this area through discussion with the Finance Director in relation to the operation of key financial controls such as cash and revenue reconciliations, as well as the application of appropriate controls relating to revenue cut off. The Committee also obtained an understanding on the work performed by the external auditors, including their assessment of the key controls in operation in relation to the internal control systems. As a result of the above procedures, the Committee was satisfied that correct accounting treatment has been adopted and consistently applied in the financial statements to ensure the completeness and accuracy of reported revenue.
Valuation of brooder stocks – $8.2 million (10.5% of Group's total assets)	In order to satisfy that the carrying value of the brooder stocks is not materially misstated, the Audit Committee obtained assurance from the management that detailed impairment testing had been undertaken using appropriate methodology and assumptions. The primary inputs into the impairment testing are estimates of the projected cash flows derived from the expected production yield of the brooder stocks and the budgeted revenue growth of the breeder stocks (offsprings of the brooder stocks), with the application of an appropriate interest rate in discounting these cash flows.

Audit Committee Report

Matters considered	Action
	In considering this matter, the Committee reviewed the impairment computations and the sensitivity analysis performed on the key assumptions. In addition, the Committee discussed with the external auditors on their review of the reasonableness and relevance of the assumptions used in the impairment assessment and the sensitivity analysis performed. Following these discussions, the Committee noted that the impairment review is sensitive to the changes in the key assumptions underlying the assessment as the estimated recoverable amounts of the brooder stocks marginally exceeded the carrying value. Nonetheless, the Committee concurred with the management's conclusion that no impairment loss was recognised for brooder stocks as at 31 December 2016 and that the disclosures in the financial statements were appropriate.
Valuation of trade and other receivables - $33.7 million (43.4% of Group's total assets)	Included in the trade and other receivable balance as at 31 December 2016 was significant long outstanding amounts due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") and the purchasers of Kim Kang Aquaculture Sdn Bhd ("Kim Kang") amounting to $9.8 million and $2.8 million respectively, together representing 37% of the trade and other receivables balances. The Audit Committee assessed the reasonableness of the recoverability of the above amounts, which premised on the financial strengths of the guarantors and the repayment plans as stipulated by GZQH and the purchasers of Kim Kang. The Committee also considered the observations and findings presented by the external auditors with reference to the payment track records and on-going business relationship with the debtors. The above procedures provided the Committee with the assurance and concurred with the management's conclusion that no allowance for impairment on the above trade and other receivables balance is required as at 31 December 2016 and that the disclosures in the financial statements were appropriate.
Going concern assumption	The assessment of going concern is inherently judgemental and requires consideration of the uncertain future outcomes of events or conditions. The Audit Committee reviewed the going concern assessment performed by the management as to whether the going concern basis of accounting is appropriate for the preparation of the financial statements as required by the Singapore Financial Reporting Standards. Financial and non-financial factors setting out all the relevant considerations, together with cash flow and profit projections, were provided by management and discussed by the Committee, together with the external auditors who confirmed that their independent tests continued to support the position that adequate facilities are in place for the period to December 2017 to enable the Group to continue as a going concern.

Internal Controls and Internal Audit

The Group has an established risk management and internal control environment, which was in operation throughout the year. The Committee receives internal audit reports from the out-sourced internal auditors, evaluates the internal audit process and assesses the adequacy and effectiveness of the Group's risk management and internal control systems that are in place.

External Audit

The Audit Committee met with the external auditors in October 2016 to agree on the audit plan for the financial year 2016. The audit plan provided details on the proposed audit approach and methodology, the materiality level intended to be used during the audit and highlighted the key risk areas due to the level of judgement involved and the potential impact of a misstatement on the Group's financial statements.

Upon completion of the audit work, the external auditors presented a Salient Features Memorandum of their audit findings to the Audit Committee at the meeting held on 11 January 2017. These findings were reviewed and discussed by the Committee, with appropriate enquiries and clarifications made to the work performed, assumptions made and conclusions drawn – particularly in relation to the key risk areas as identified above.

The continued appointment of KPMG LLP is considered by the Audit Committee each year, taking into account relevant guidance and best practice and considering the effectiveness of the external audit process and the independence of the auditors.

Auditors Effectiveness

The effectiveness of the audit process is assessed taking into account the following matters:

- the auditors' understanding of the Group's business and industry;
- the communication between the Group and the audit engagement team;
- the ability of the external auditors to respond appropriately to questions raised by the Committee;
- the planning and the execution of the audit plan approved by the Committee, and the communication of any changes to the plan in respect of matters;
- the competence in handling key accounting and audit judgements and the manner in which these were communicated;
- the independence, objectivity and scepticism of the auditors;
- the auditors' qualifications, expertise and resources; and
- the feedback from the Finance Director and the Group Financial Controller.

After due consideration, the Committee was satisfied with the effectiveness of the year end audit performed by KPMG LLP.

Auditors Independence and Re-appointment

As part of the review of auditors' independence, KPMG LLP has confirmed to the Committee that they are independent of the Group and have complied with relevant auditing standards. The Committee also performs a review of the audit and non-audit services provided by the external auditors, and the fees charged for those services, to ensure there was no impairment of objectivity or independence. The Committee meets with the external auditors at least annually without any members of management or the executive directors present.

KPMG LLP has been the Group's auditors since financial year end 2007. During this period, the audit partner has been rotated once after five years to ensure that independence and objectivity is maintained. For the year ended 31 December 2016, there was no non-audit related work carried out by the external auditors; hence, there was no non-audit fee paid to them in this aspect. The Audit Committee is therefore satisfied with the independence and performance of KPMG LLP and has recommended their re-appointment for a further year.

Whistle-blowing

The Group has put in place a whistle-blowing framework, endorsed by the Audit Committee. Mr Chang Weng Leong, Chairman of the Remuneration Committee, is the primary point of contact for employees of the Group to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise.

Details of the whistle-blowing policies and arrangements have been made available to all employees. More details of the framework are set out on page 92 of this Annual Report.

There was no reported incident pertaining to whistle-blowing for the financial year ended 31 December 2016.

TAN TOW EE
Chairman of the Audit Committee

February 2017

Risk Management

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

The Group takes a balanced approach to risk management, recognising that not all risks can elimininated. To optimise returns for the Group, it will only undertake appropriate and well-considered risks.

The Group's risk management process consists of identification, assessment, formulation of mitigation measures, communication and implementation, and monitoring a-nd review. The process takes into account both the impact and likelihood of the risks identified.

RISK MANAGEMENT PROCESS

1	2	3	4	5
Identify	Assess	Mitigate	Implement	Monitor
Understand business strategies and identify risks	Assess risk level based on impact and likelihood of occurrence	Develop and agree action to mitigate key risks	Communicate and implement action plans	Monitor and review

The following set out an overview of the key risks faced by Qian Hu, the nature and the extent of the Group's exposure to these risks and the mitigating actions in place that we believe could help in managing these risks. In the year under review, we are satisfied that there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.

FINANCIAL RISKS

Financial risks arise from volatility in the underlying financial market and include factors such as interest rates, foreign exchange and equity prices.

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 the 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 the Group's customers or suppliers contributes more than 5% of its revenue and purchases. It is the Group's policy to sell to a diversity 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 the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making specific provisions once trade receivables are deemed not collectible. Accordingly, the Group does not expect to incur material credit losses on its credit risk management.

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

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

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

Foreign exchange risk
The foreign exchange risk of the 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. The 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 bank 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.

Financial management risk
The 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.

The Group has relied on self-assessment, regular review and its 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, the 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, the Group 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
The Group does not hold or issue derivative financial instruments for trading purposes.

BUSINESS AND STRATEGY RISKS

Business and strategy risks refer to factors affecting businesses such as customer demand, revenue attainment, macroeconomic conditions, competition and regulatory environment. They are normally managed by the respective divisions and subsidiaries within the Group in their pursuit of growth and meeting earnings target.

Strategy and investment risk
The Group grows businesses through organic growth of its existing activities, development of new capabilities (e.g. product innovation) and through new ventures (e.g. aquaculture business) with business partners. Business proposals and investment activities are evaluated through the 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
The Group currently operates in six countries with assets and activities spreading mainly across the Asia Pacific. The 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, the Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets. Although these circumstances may be beyond its 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 the Group's assets are located overseas, while revenue from its overseas' customers constitute approximately 71% of the total revenue in FY 2016. As Qian Hu currently exports to more than 80 cities and countries and to more moving forward, the effect of greater geographical diversification reduces the risk of concentration in a single market.

Regulatory risk
The 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, the Group's management team maintains 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. The Group may possibly loss 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.

The 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 so as to enhance its market competitiveness.

Reputation risk
The 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
The 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, internal controls and Code of Conduct and Business Ethics have been defined and put into practice by all business units. Together with compliance with laws and regulations, these established procedures and internal guidelines form the control environment for which employees are accountable for compliance.

In addition, the 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, the Group has focused on refining its business continuity management, including the setting up of an operational prevention and recovery framework, to ensure that it can continue to maintain its competitive advantage and to maximise value for its stakeholders.

OPERATIONAL RISKS

Operational risks refer to persons, processes, products, information technology and practices in the business activities which may not operate as designed or planned.

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

Although Qian Hu has always been viewed as a family business largely run and controlled by the Yap family, it is in fact run by a team of dedicated Qian Hu family members and professional managers, not solely by the Yap family members. Although no individual is indispensable, the loss of specialised skills and the leadership of the Executive Chairman & Managing Director, Mr Kenny Yap, and the other founding members, including the key management, could result in business interruptions and a loss in shareholders' confidence. To dispel the worries, the Group has 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. The Group believes that training a team of next-generation leaders is critical to the continuity of the business which should last beyond this 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. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for the fishes. Currently, all the Group's 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 Dragon Fish sales contributed approximately 10% of the Group total revenue for the year ended 31 December 2016, it sells 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. The Group is diversified in both its products and markets.

Additionally, the Group has formed an integrated R&D team in Year 2009, focusing on 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 past 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. The 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 relating to adverse weather conditions, and to ensure consistent supply of these fish species.

COMPLIANCE RISKS

Compliance risks are the current and prospective risks arising from violation of, or non-conformance with laws, rules, regulations, or ethical standards.

Qian Hu, as a listed company incorporated in Singapore with overseas subsidiaries in various countries, is obligated to comply with all the local statutory and regulatory requirements, such as the Singapore Exchange Listing Manual requirements and the Companies Act, etc. Nonetheless, the rapid changes in laws and regulations and practices in different jurisdictions has made compliance more complicated.

In response to such incumbent statutory and regulatory requirements, Qian Hu has implemented effective compliance frameworks, which include putting in place the relevant internal controls processes, risk management initiatives and corporate governance practices to monitor the level of compliance so as to minimise the level of lapses.

INFORMATION TECHNOLOGY RISKS

Information technology (IT) risks include hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fire, storms or floods.

The Group is aware of the range and the nature of risks to its IT system. It has adopted the necessary IT governance practices to alleviate the risks that are associated with IT and will constantly to put in place the appropriate measures to enhance and ensure the continuity of business activities and the Group's prompt recovery from an IT crisis.

Index to Financial Statements

Directors' Statement

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion:

(a) the financial statements set out on pages 122 to 184 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance and changes in equity of the Group and the Company, and the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors
The directors in office at the date of this statement are as follows:

Kenny Yap Kim Lee
Alvin Yap Ah Seng
Andy Yap Ah Siong
Lai Chin Yee
Tan Tow Ee
Chang Weng Leong
Sharon Yeoh Kar Choo
Ling Kai Huat

Directors' interests
According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings in the name of the director			Holdings in which the director is deemed to have an interest		
	1/1/2016	31/12/2016	11/1/2017	1/1/2016	31/12/2016	11/1/2017
The Company						
Ordinary shares						
Kenny Yap Kim Lee	3,500,000	3,500,000	3,500,000	–	–	–
Alvin Yap Ah Seng	3,951,138	3,951,138	3,951,138	–	–	–
Andy Yap Ah Siong	3,925,000	3,925,000	3,925,000	–	–	–
Lai Chin Yee	80,350	80,350	80,350	–	–	–
Chang Weng Leong	34,650	34,650	34,650	–	–	–
Tan Tow Ee	50,000	50,000	50,000	–	–	–

Directors' Statement
(cont'd)

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

The Singapore Exchange Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interests of each director of the Company in the share capital of the Company. As the Directors' Statement of the Company is dated 12 January 2017, the Company is unable to comply with the 21 days' requirement. However, for the purpose of best practice, the Company has disclosed the direct and deemed interests of each director of the Company at the last business trading day before the date of the Directors' Statement.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

As at the end of the financial year, no options or warrants to take up unissued shares of the Company or its subsidiaries were granted and no shares were issued by virtue of the exercise of options or warrants to take up unissued shares of the Company or its subsidiaries.

No warrants or options to take up unissued shares of the Company or its subsidiaries were outstanding as at the end of the financial year.

Audit committee
At the date of this statement, the Audit Committee comprises the following members, all of whom are non-executive and independent:

- Tan Tow Ee (Chairman of the Audit Committee)
- Chang Weng Leong
- Sharon Yeoh Kar Choo
- Ling Kai Huat

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last Directors' Statement. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and associate, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors
The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

12 January 2017

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 122 to 184.

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.

<table>
<tr><td colspan="2">Valuation of biological assets ($8.2 million)
Refer to Note 6 to the financial statements</td></tr>
<tr><td>The key audit matter
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.

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.

Management performed an annual impairment review on brooder stock, which involves significant judgement in estimating future cash flows. Due to the level of judgement involved, this is one of the key areas that our audit focused on.</td>
<td>How the matter was addressed in our audit
We considered the appropriateness of the valuation methodology and tested the information used by management.

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.

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.

In addition, we evaluated the appropriateness of the relevant disclosure in relation to the valuation of biological assets.</td></tr>
</table>

Our findings
The key assumptions underlying the projected cash flows are comparable to the historical information of the Group. 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 amounts currently only marginally exceed their carrying value. We found that the disclosure appropriately describes the inherent degree of judgement involved.

Valuation of trade and other receivables ($33.7 million) **Refer to Note 10 to the financial statements**	
The key audit matter 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. The assessment of collectability of long outstanding receivables involves significant judgement of the debtors' ability to pay and the credit worthiness of their guarantors.	***How the matter was addressed in our audit*** 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. In addition, we reviewed the sufficiency of the disclosures in relation to the significant and long outstanding receivables.
Our findings 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.	

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.

Independent Auditors' Report (cont'd)

Members of the Company
Qian Hu Corporation Limited

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.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
12 January 2017

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Assets					
Property, plant and equipment	4	8,749,943	8,076,128	5,348,168	5,377,236
Investment property	5	1,585,941	–	–	–
Biological assets	6	8,179,749	8,365,583	8,179,749	8,365,583
Intangible assets	7	889,380	343,048	889,380	343,048
Subsidiaries	8	–	–	2,380,785	2,295,785
Associate	9	277,624	307,463	412,600	412,600
Trade and other receivables	10	9,031,147	–	9,031,147	–
Non-current assets		28,713,784	17,092,222	26,241,829	16,794,252
Biological assets	6	66,780	24,780	66,780	24,780
Inventories	11	15,452,835	15,747,853	6,667,576	7,043,358
Trade and other receivables	10	24,706,560	35,180,171	24,325,645	34,211,287
Cash and cash equivalents	12	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	13	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	14	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	15	364,249	141,535	241,311	824
Deferred tax liabilities	16	49,703	428,582	–	380,000
Non-current liabilities		413,952	570,117	241,311	380,824
Loans and borrowings	15	15,205,094	14,427,293	14,771,094	13,971,253
Trade and other payables	17	11,242,930	10,089,641	6,027,641	5,674,859
Current tax payable		307,618	422,127	207,457	207,457
Current liabilities		26,755,642	24,939,061	21,006,192	19,853,569
Total liabilities		27,169,594	25,509,178	21,247,503	20,234,393
Total equity and liabilities		77,663,362	75,816,956	62,538,060	62,361,268

The accompanying notes form an integral part of these financial statements.

Statements of Profit or Loss

Year ended 31 December 2016

		Group		Company	
	Note	2016 $	2015 $	2016 $	2015 $
Revenue	18	80,470,301	77,970,464	43,844,241	45,163,948
Cost of sales		(56,731,505)	(55,806,087)	(31,412,817)	(33,418,299)
Gross profit		23,738,796	22,164,377	12,431,424	11,745,649
Other income		301,153	216,531	541,641	1,252,704
Selling and distribution expenses		(1,435,429)	(1,521,222)	(702,391)	(780,168)
General and administrative expenses		(22,254,767)	(19,968,628)	(12,981,847)	(11,711,838)
Results from operating activities		349,753	891,058	(711,173)	506,347
Finance income		9,347	6,044	2,141	2,137
Finance costs		(339,429)	(301,991)	(302,810)	(263,582)
Net finance costs	19	(330,082)	(295,947)	(300,669)	(261,445)
Share of losses of associate, net of tax		(29,839)	(45,649)	–	–
(Loss) Profit before tax	20	(10,168)	549,462	(1,011,842)	244,902
Tax credit (expense)	21	332,353	(277,894)	380,000	(11,968)
Profit (Loss) for the year		322,185	271,568	(631,842)	232,934
Profit (Loss) attributable to:					
Owners of the Company		67,821	18,762	(631,842)	232,934
Non-controlling interests		254,364	252,806	–	–
Profit (Loss) for the year		322,185	271,568	(631,842)	232,934

		Group	
		2016	2015
Earnings per share (cents)	23		
Basic		0.06	0.02
Diluted		0.06	0.02

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

Year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Profit (Loss) for the year	322,185	271,568	(631,842)	232,934
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations, net of tax	90,857	(484,977)	22,576	(6,439)
Other comprehensive income for the year, net of tax	90,857	(484,977)	22,576	(6,439)
Total comprehensive income for the year	413,042	(213,409)	(609,266)	226,495
Total comprehensive income attributable to:				
Owners of the Company	99,739	(421,323)	(609,266)	226,495
Non-controlling interests	313,303	207,914	–	–
Total comprehensive income for the year	413,042	(213,409)	(609,266)	226,495

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

Year ended 31 December 2016

	Note	Attributable to owners of the Company					
		Share capital $	Translation reserve $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Group							
At 1 January 2015		30,772,788	(629,024)	19,404,357	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		–	(440,085)	18,762	(421,323)	207,914	(213,409)
Transactions with owners, recognised directly in equity							
Distributions to owners							
Dividends to owners of the Company	24	–	–	(454,106)	(454,106)	–	(454,106)
Dividends to non-controlling interests		–	–	–	–	(78,000)	(78,000)
Total transactions with owners of the Company		–	–	(454,106)	(454,106)	(78,000)	(532,106)
At 31 December 2015		30,772,788	(1,069,109)	18,969,013	48,672,692	1,635,086	50,307,778

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity (cont'd)

Year ended 31 December 2016

	Note	Attributable to owners of the Company					
		Share capital $	Translation reserve $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Group							
At 1 January 2016		30,772,788	(1,069,109)	18,969,013	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		–	31,918	67,821	99,739	313,303	413,042
Transactions with owners, recognised directly in equity							
Distributions to owners							
Dividends to owners of the Company	24	–	–	(227,052)	(227,052)	–	(227,052)
Total transactions with owners of the Company		–	–	(227,052)	(227,052)	–	(227,052)
At 31 December 2016		30,772,788	(1,037,191)	18,809,782	48,545,379	1,948,389	50,493,768

The accompanying notes form an integral part of these financial statements.

	Note	Share capital $	Retained earnings $	Translation reserve $	Total equity $
Company					
At 1 January 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					
Dividends to owners of the Company	24	–	(454,106)	–	(454,106)
Total transactions with owners of the Company		–	(454,106)	–	(454,106)
At 31 December 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					
Dividends to owners of the Company	24	–	(227,052)	–	(227,052)
Total transactions with owners of the Company		–	(227,052)	–	(227,052)
At 31 December 2016		30,772,788	10,537,020	(19,251)	41,290,557

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 December 2016

	Note	2016 $	2015 $
Group			
Cash flows from operating activities			
(Loss) Profit before tax		(10,168)	549,462
Adjustments for:			
Allowances for (Write back of allowance for)			
- doubtful trade receivables		177,817	181,522
- inventory obsolescence		(17,000)	(50,000)
Amortisation of intangible asset		3,668	–
Bad trade receivables written off		44,334	43,402
Depreciation of			
- property, plant and equipment		1,666,899	1,427,321
- biological assets		187,254	189,499
Property, plant and equipment written off		435	–
Gain on disposal of			
- property, plant and equipment		(78,310)	(46,953)
- biological assets		(1,420)	–
Change in fair value less estimated point-of-sale costs of breeder stocks		–	17,200
Share of losses of associate		29,839	45,649
Finance income		(9,347)	(6,044)
Finance costs		339,429	301,991
		2,333,430	2,653,049
Changes in working capital:			
Inventories		769,812	731,479
Breeder stocks		(42,000)	2,460
Trade and other receivables		(84,932)	(1,148,086)
Trade and other payables		284,061	(424,548)
Cash generated from operations		3,260,371	1,814,354
Tax paid		(184,622)	(276,166)
Net cash from operating activities		3,075,749	1,538,188
Cash flows from investing activities			
Purchase of			
- property, plant and equipment		(1,854,627)	(1,719,423)
- intangible asset		(550,000)	–
- investment property		(49,941)	–
Interest received		9,347	6,044
Proceeds from disposal of			
- property, plant and equipment		87,842	49,354
Acquisition of a subsidiary, net of cash and cash equivalents	30	7,947	–
Net cash used in investing activities		(2,349,432)	(1,664,025)

The accompanying notes form an integral part of these financial statements.

	Note	2016 $	2015 $
Group			
Cash flows from financing activities			
Dividends paid to			
– owners of the Company		(227,052)	(454,106)
– non-controlling interests		–	(78,000)
Drawdown of bank term loans		1,000,000	500,000
Interest paid		(338,476)	(299,882)
Repayment of			
– finance lease liabilities		(146,474)	(145,118)
– bank term loans		(77,568)	(74,880)
Net cash from (used in) financing activities		210,430	(551,986)
Net increase (decrease) in cash and cash equivalents		936,747	(677,823)
Cash and cash equivalents at beginning of year		7,771,930	8,557,302
Effect of exchange rate fluctuations on cash held		14,726	(107,549)
Cash and cash equivalents at end of year	12	8,723,403	7,771,930

Significant non-cash transaction

During the financial year, an investment property with cost of $1,585,941 (2015: nil) was transferred to the Group, of which $1,536,000 (2015: nil) was for the partial settlement of outstanding debts due from a debtor.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 12 January 2017.

1 Domicile and activities

Qian Hu Corporation Limited (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is 71 Jalan Lekar, Singapore 698950.

The financial statements of the Group as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its associate. The financial statements of the Company as at and for the financial year ended 31 December 2016 do not include other entities.

The principal activities of the Company are those relating to import, export, farming, breeding and distribution of ornamental fishes and aquarium and pet accessories. The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRSs).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost.
- Biological assets (breeder stock) are measured at fair value less estimated point-of-sale costs.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 6 and 7 – impairment test: key assumptions on underlying recoverable amounts
- Note 10 – recoverability of receivables

2.4 Use of estimates and judgements (continued)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a finance team led by the Finance Director that has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – biological assets
- Note 27 – financial risk management

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group.

Notes to the Financial Statements (cont'd)

3.1 Basis of consolidation (continued)

***Business combinations* (continued)**

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest (NCI) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

3.1 Basis of consolidation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate or as an available-for-sale financial asset depending on the level of influence retained.

Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that investment, together with any long-term interests that form part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and associates in the separate financial statements

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less any accumulated impairment losses.

Notes to the Financial Statements
(cont'd)

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below).

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

3.3 Financial instruments (continued)

***Non-derivative financial assets* (continued)**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets as loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

Notes to the Financial Statements
(cont'd)

3.3 Financial instruments (continued)

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Company that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially measured at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

3.4 Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.4 Property, plant and equipment (continued)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land and assets under construction are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold buildings	20 years
Leasehold land	over the remaining lease terms
Leasehold buildings	over the remaining lease terms
Leasehold improvements	over the remaining lease terms
Motor vehicles	5 – 10 years
Computers	3 years
Furniture, fittings and office equipment	5 – 10 years
Equipment and tools	8 – 10 years
Machinery and equipment	5 – 10 years
Electrical and installation	8 -10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Investment property

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied and classified as property, plant and equipment, rather than as investment properties.

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 3.4. Freehold land is not depreciated.

Gains and losses on disposal of investment properties are determined by comparing the proceeds from disposal with the carrying amount of investment property, and are recognised net in profit or loss.

Depreciation methods and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

Notes to the Financial Statements
(cont'd)

3.6 Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate.

Other intangible assets

(a) *Trademarks/Customer acquisition costs/Formulation rights*

- Trademarks/Customer acquisition costs are estimated to have indefinite lives because based on the current market share of the trademarks, management believes there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flows for the Group. Such intangible assets are tested for impairment annually as described in Note 7.

- Trademarks/Formulation rights with finite lives are stated at cost less accumulated amortisation and any impairment losses. These costs are amortised on a straight-line basis over 25 years.

(b) *Product listing fees*

Product listing fees with finite lives are stated at cost less accumulated amortisation and any impairment losses.

These costs are amortised on a straight-line basis over 3 years.

The amortisation method, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.7 Biological assets

The Group is engaged in the breeding of dragon fish for commercial sale and accounts for its brooder and breeder stocks as follows:

Brooder stocks

Brooder stocks are parent stocks of dragon fish, held for the breeding of dragon fish. As the fair value of brooder stocks cannot be reliably measured, the brooder stocks have been stated at cost less accumulated depreciation and any impairment losses. The brooder stocks are depreciated on a straight line basis over their estimated useful lives of 50 years.

Breeder stocks

Breeder stocks are the offsprings of brooder stocks, held for trading purposes. The holding period of these breeder stocks is usually 2 to 3 months before they are put up for sale. As at the reporting date, these stocks are measured based on their fair value less estimated point-of-sale costs, with any change therein recognised in profit or loss. The fair value is determined based on the age, breed and genetic merit of similar fish that can be purchased from suppliers. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

3.8 Leased assets

Leased assets of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.9 Inventories

Inventories comprise raw materials, work-in-progress, manufactured goods and ornamental fishes acquired from suppliers.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula and comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

3.10 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an associate, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset level.

An impairment loss (allowance for doubtful receivables) in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of allowance for doubtful receivables subsequently decreases and the decrease can be related objectively to an event occurring after the allowance was recognised, then the previously recognised allowance is reversed through profit or loss.

Associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 9. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Notes to the Financial Statements
(cont'd)

3.10 Impairment (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.12 Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.13 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

3.14 Government grants

Grants that compensate the Group for the cost of asset are deducted in arriving at the carrying amount of the asset.

3.15 Finance income and finance costs

Finance income comprises interest income on bank deposits and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss in the year in which they are incurred using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.16 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

Notes to the Financial Statements
(cont'd)

3.16 Lease payments (continued)

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.17 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.17 Tax (continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.18 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman and Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.20 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the management is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Group does not plan to adopt these standards early.

Applicable to 2018 financial statements

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

Notes to the Financial Statements
(cont'd)

3.20 New standards and interpretations not adopted

***Applicable to 2018 financial statements* (continued)**

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group plans to adopt the standard when it becomes effective in 2018. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of FRS 115.

FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. It will change the existing accounting standards and guidance applied by the Group and the Company in accounting for financial instruments.

The Group plans to adopt the standard when it becomes effective in 2018. The Group does not expect a significant adjustment arising from the adoption of FRS 109, except for the effect of applying the impairment requirements of FRS109. The Group is gathering data to quantify the potential impact arising from adoption.

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group is currently performing an analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

Applicable to 2019 financial statements

FRS 116 *Leases*

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

3.20 New standards and interpretations not adopted

FRS 116 *Leases* (continued)

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group plans to adopt the standard when it becomes effective in 2019. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of FRS 116 as the Group does not have a significant amount of operating lease as lessee. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2017.

Notes to the Financial Statements
(cont'd)

4 Property, plant and equipment

	Freehold land and buildings $	Leasehold land and buildings $	Leasehold improvements $	Motor vehicles $
Group				
Cost				
At 1 January 2015	643,200	9,819,621	1,440,318	2,643,871
Translation differences on consolidation	(19,200)	(25,552)	(21,438)	(77,409)
Additions (net of government grants)	–	–	544,590	260,670
Disposals/Write offs/Transfers	–	–	–	(184,997)
At 31 December 2015	624,000	9,794,069	1,963,470	2,642,135
Translation differences on consolidation	22,400	36,107	30,842	4,022
Additions (net of government grants)	368,956	668,620	288,694	778,795
Disposals/Write offs/Transfers	–	–	–	(378,707)
Acquisition via business combination	–	–	–	458
Reclassification	–	–	–	–
At 31 December 2016	1,015,356	10,498,796	2,283,006	3,046,703
Accumulated depreciation				
At 1 January 2015	72,833	7,069,221	868,778	1,985,394
Translation differences on consolidation	(2,175)	(12,018)	(18,465)	(52,271)
Depreciation charge for the year	9,750	259,380	230,875	253,514
Disposals/Write offs/Transfers	–	–	–	(182,596)
At 31 December 2015	80,408	7,316,583	1,081,188	2,004,041
Translation differences on consolidation	2,887	15,356	22,355	1,489
Depreciation charge for the year	50,112	308,301	281,641	297,788
Disposals/Write offs/Transfers	–	–	–	(372,702)
Acquisition via business combination	–	–	–	374
At 31 December 2016	133,407	7,640,240	1,385,184	1,930,990
Carrying amounts				
At 1 January 2015	570,367	2,750,400	571,540	658,477
At 31 December 2015	543,592	2,477,486	882,282	638,094
At 31 December 2016	881,949	2,858,556	897,822	1,115,713

Computers $	Furniture, fittings and office equipment $	Equipment and tools $	Machinery and equipment $	Electrical and installation $	Construction in-progress $	Total $
1,706,757	1,403,832	352,197	5,148,714	1,604,112	1,122,053	25,884,675
(43,963)	(72,972)	(25,240)	(72,507)	(113,904)	–	(472,185)
86,012	63,571	2,761	337,101	39,293	533,292	1,867,290
–	–	–	(66,379)	–	–	(251,376)
1,748,806	1,394,431	329,718	5,346,929	1,529,501	1,655,345	27,028,404
4,276	8,485	(3,882)	(8,264)	(9,321)	–	84,665
88,807	32,434	39,623	(97,398)	99,120	28,799	2,296,450
(250,988)	(47,884)	(95,214)	(101,488)	(262,953)	–	(1,137,234)
5,761	2,205	–	–	–	–	8,424
–	–	–	1,655,937	–	(1,655,937)	–
1,596,662	1,389,671	270,245	6,795,716	1,356,347	28,207	28,280,709
1,378,617	1,089,428	326,643	3,853,949	1,501,887	–	18,146,750
(36,493)	(51,900)	(25,169)	(65,570)	(108,759)	–	(372,820)
152,170	83,676	9,321	398,793	29,842	–	1,427,321
–	–	–	(66,379)	–	–	(248,975)
1,494,294	1,121,204	310,795	4,120,793	1,422,970	–	18,952,276
2,509	7,712	(3,153)	(5,849)	(9,906)	–	33,400
148,483	76,790	9,496	442,154	52,134	–	1,666,899
(250,988)	(44,357)	(95,214)	(101,377)	(262,630)	–	(1,127,268)
3,339	1,746	–	–	–	–	5,459
1,397,637	1,163,095	221,924	4,455,721	1,202,568	–	19,530,766
328,140	314,404	25,554	1,294,765	102,225	1,122,053	7,737,925
254,512	273,227	18,923	1,226,136	106,531	1,655,345	8,076,128
199,025	226,576	48,321	2,339,995	153,779	28,207	8,749,943

Notes to the Financial Statements (cont'd)

4 Property, plant and equipment (continued)

	Leasehold land and buildings $	Leasehold improvements $	Motor vehicles $
Company			
Cost			
At 1 January 2015	8,940,534	550,273	1,170,476
Additions (net of government grants)	–	168,135	–
Translation differences	–	4,632	1,054
At 31 December 2015	8,940,534	723,040	1,171,530
Additions (net of government grants)	668,620	39,887	515,029
Disposal	–	–	(151,317)
Translation differences	–	(17,394)	(2,372)
Reclassification	–	–	–
At 31 December 2016	9,609,154	745,533	1,532,870
Accumulated depreciation			
At 1 January 2015	6,665,390	204,650	954,937
Depreciation charge for the year	237,871	121,329	101,607
Translation differences	–	1,290	602
At 31 December 2015	6,903,261	327,269	1,057,146
Depreciation charge for the year	285,788	146,028	110,820
Disposal	–	–	(150,534)
Translation differences	–	(5,548)	(1,659)
At 31 December 2016	7,189,049	467,749	1,015,773
Carrying amounts			
At 1 January 2015	2,275,144	345,623	215,539
At 31 December 2015	2,037,273	395,771	114,384
At 31 December 2016	2,420,105	277,784	517,097

The carrying amounts of property, plant and equipment of the Group and the Company include amounts totalling $849,254 (2015: $341,211) and $440,752 (2015: $31,802) respectively, in respect of property, plant and equipment acquired under finance lease arrangements.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $2,296,450 (2015: $1,867,290), of which $441,823 (2015: $147,867) were acquired under finance leases. Cash payments of $1,854,627 (2015: $1,719,423) were made to purchase property, plant and equipment.

Computers $	Furniture, fittings and office equipment $	Machinery and equipment $	Electrical and installation $	Construction in-progress $	Total $
1,066,879	495,872	2,610,423	425,924	1,122,053	16,382,434
30,146	14,269	197,704	–	533,292	943,546
63	257	5,721	–	–	11,727
1,097,088	510,398	2,813,848	425,924	1,655,345	17,337,707
60,393	6,026	(344,375)	–	28,799	974,379
(236,215)	–	(2,263)	–	–	(389,795)
(198)	(840)	(13,347)	–	–	(34,151)
–	–	1,655,937	–	(1,655,937)	–
921,068	515,584	4,109,800	425,924	28,207	17,888,140
952,759	402,567	1,526,046	362,810	–	11,069,159
74,975	29,733	304,887	15,265	–	885,667
20	124	3,609	–	–	5,645
1,027,754	432,424	1,834,542	378,075	–	11,960,471
70,512	26,072	334,462	13,469	–	987,151
(236,215)	–	(2,152)	–	–	(388,901)
(104)	(445)	(10,993)	–	–	(18,749)
861,947	458,051	2,155,859	391,544	–	12,539,972
114,120	93,305	1,084,377	63,114	1,122,053	5,313,275
69,334	77,974	979,306	47,849	1,655,345	5,377,236
59,121	57,533	1,953,941	34,380	28,207	5,348,168

Notes to the Financial Statements
(cont'd)

4 Property, plant and equipment (continued)

Details of properties held by the Group and the Company as at 31 December are as follows:

Location	Description and existing use	Tenure/ Unexpired term	Land area (sq m)	Carrying amount 2016 $	2015 $
Held by the Company					
- Leasehold buildings					
69 & 71 Jalan Lekar, Singapore	Fish farming	10 years from 11 November 2016	41,776	608,166	62,660
- Leasehold land and buildings					
78 Jalan Lekar, Singapore	Fish farming	20 years from 20 February 2008	19,343	1,811,939	1,974,613
Held through subsidiaries					
- Leasehold land and buildings					
30/25 & 30/26 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2016 to 31 December 2018	3,290	46,500	48,862
30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2016 to 31 December 2018	1,740	–	–
30/24 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2015 to 31 December 2016	1,740	–	–
JL. Raya Brantamulya Tengsaw No. 9 Tarik Kolot, Kecamatan Citeureup Bogor – Indonesia 16810	Fish farming	30 years from 1 May 2013	1,343	391,951	391,351
Held through subsidiaries					
- Freehold land and buildings					
761 Rangsit - Nakornayok 52 Road, Pachatipat, Tanyaburi, Pathumtani, 12130 Thailand	Residential	Freehold	444	108,578	114,592
Land No. 3903 Tambol Samreuan Amphur Meuang Ratchaburi Province 70000	Fish farming	Freehold	44,800	773,371	429,000
				3,740,505	3,021,078

5 Investment property

	Group 2016 $
Cost	
At 1 January 2016	–
Addition during the year	1,585,941
At 31 December 2016	1,585,941
Carrying amount	
At 31 December 2016	1,585,941
Fair value	
At 31 December 2016	1,585,941

Details of property held by the Group as at 31 December 2016 are as follows:

Location	Description and existing use	Tenure/ Unexpired term	Land area (sq m)
Held through subsidiary			
- **Freehold land**			
Lot 5092 GRN 50300 Mukim of Linau District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	118,875

The following are recognised in profit or loss in respect of the investment property:

	2016 $
Rental income	89,600
Direct operating expenses on income generating investment property (excluding depreciation)	(1,976)

Fair value information

Fair value of investment property is categorised as follows:

	Level 3 2016 $
Group	
Land	1,585,941

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

Level 3 fair values of land is estimated by an independent valuer using direct comparison method of valuation. The method entails analysis of sales and listings of similar properties in the locality and the value of the property is arrived at by comparison after making adjustments for differences in location, size, neighbourhood and other relevant factors. The significant unobservable inputs include adjustments to price per square feet at comparable properties.

Notes to the Financial Statements
(cont'd)

6 Biological assets

	Brooder stocks Group and Company 2016 $	2015 $
Cost		
At 1 January	9,475,000	9,475,000
Additions	2,800,000	–
Disposals	(3,025,000)	–
At 31 December	9,250,000	9,475,000
Accumulated depreciation		
At 1 January	1,109,417	919,918
Depreciation charge for the year	187,254	189,499
Disposals	(226,420)	–
At 31 December	1,070,251	1,109,417
Net carrying amount		
At 31 December	8,179,749	8,365,583
Estimated quantity at year end	2,420	1,850

The 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 losses, if any. The depreciation method, useful lives and residual values are reviewed at each reporting date.

The brooder stocks are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the brooder stocks to be 50 years. Management monitors the mortality rate of the brooder stocks on a continuing basis and is not aware of any developments or research findings that would require a revision of the useful lives for the brooder stocks.

During the financial year, the brooder stocks of the Group and the Company bred approximately 4,051 (2015: 4,349) of dragon fish.

	Breeder stocks Group and Company 2016 $	2015 $
At 1 January	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
At 31 December	66,780	24,780
Estimated quantity at year end	480	173

6 Biological assets (continued)

Impairment tests for cash-generating units containing biological assets

The recoverable amounts of the above balances are based on value in use and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use in 2016 was determined in a similar manner as in 2015. No impairment loss was required for the carrying amount of biological assets at 31 December 2016 and 31 December 2015 as the recoverable value was in excess of the carrying value.

Key assumptions used in discounted cash flow projection calculations

Key assumptions used in the calculation of recoverable amounts of biological assets are discount rates, production yield and growth rates. These assumptions are as follows:

	Discount rate		**Production yield**		**Budgeted revenue growth**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Biological assets	11.0%	9.3%	4.3	3.5	5.0%	5.0%

Discount rate

The discount rates used are pre-tax based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific business activities.

Production yield

Management estimates the production yield based on actual breeder production of past 12 months.

Budgeted revenue growth

The anticipated annual revenue growth included in the cash flow projections was based on past performance and its expectation for market development.

The Group is exposed to a number of risks related to its brooder stocks and breeder stocks:

Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of breeder stocks. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to manage the breeding program.

Climate and other risks

The Group's brooder stocks and breeder stocks are exposed to the risk of damage and fatalities from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections and industry disease surveys.

Notes to the Financial Statements (cont'd)

6 **Biological assets (continued)**

Sensitivity analysis

The estimated recoverable amount of the brooder stock exceeded its carrying amount by approximately $43,000 (2015: $238,000). Management has identified that a reasonably possible change in three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these three assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
	2016	**2015**
	%	**%**
Production yield	(0.48)	(2.67)
Growth rate	(3.44)	(17.80)
Discount rate	0.51	2.76

7 **Intangible assets**

	Trademarks/ Customer acquisition costs/ Formulation rights $	Product listing fees $	Total $
Group and Company			
Cost			
At 1 January 2015 and 31 December 2015	921,497	196,153	1,117,650
Addition	550,000	–	550,000
At 31 December 2016	1,471,497	196,153	1,667,650
Accumulated amortisation			
At 1 January 2015 and 31 December 2015	578,449	196,153	774,602
Amortisation for the year	3,668	–	3,668
At 31 December 2016	582,117	196,153	778,270
Carrying amounts			
At 1 January 2015 and 31 December 2015	343,048	–	343,048
At 31 December 2016	889,380	–	889,380

The amortisation charged is recognised in selling and distribution expenses in the statement of profit or loss.

Impairment tests for cash-generating units containing trademarks/customer acquisition costs

Trademarks/Customer acquisition costs are costs paid for the acquisition and registration of brands and trademarks of pet food.

7 Intangible assets (continued)

The recoverable amounts of the above balances are based on value in use and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use in 2016 was determined in a similar manner as in 2015. No impairment loss was required for the carrying amount of trademarks/customer acquisition costs at 31 December 2016 and 31 December 2015 as the recoverable value was in excess of the carrying value.

Key assumptions used in discounted cash flow projection calculations

Key assumptions used in the calculation of recoverable amounts of trademarks/customer acquisition costs are discount rates and growth rates. These assumptions are as follows:

	Discount rate		Terminal value growth rate		Budgeted revenue growth	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Pet food	11.0%	9.3%	3.0%	3.0%	5.0%	5.0%

Discount rate

The discount rates used are pre-tax based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific business activities.

Terminal value growth rate

Management includes five years of cash flows based on financial budgets approved by management in their discounted cash flow models. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which the division is based and the long-term compound annual growth rate in EBITDA estimated by management.

Budgeted revenue growth

The anticipated annual revenue growth included in the cash flow projections was based on past performance and its expectation for market development.

8 Subsidiaries

	Company	
	2016	**2015**
	$	**$**
Unquoted equity investments, at cost	2,380,785	2,295,785

Notes to the Financial Statements
(cont'd)

8 Subsidiaries (continued)

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and business	Ownership interest 2016 %	Ownership interest 2015 %	Cost of investment by the Company 2016 $	Cost of investment by the Company 2015 $
* Qian Hu Tat Leng Plastic Pte. Ltd.	Manufacture of plastic bags	Singapore	100	100	57,050	57,050
^ Qian Hu Aquarium and Pets (M) Sdn. Bhd. and its subsidiary:	Trading and distribution of ornamental fish and aquarium and pet accessories	Malaysia	100	100	171,951	171,951
^ Qian Hu The Pet Family (M) Sdn. Bhd.	Trading of ornamental fish and aquarium accessories	Malaysia	100	100	–	–
^ Qian Hu Development Sdn. Bhd.	Investment holding	Malaysia	100	–	16,000	–
^ Beijing Qian Hu Aquarium and Pets Co., Ltd	Distribution of aquarium and pet accessories	People's Republic of China	100	100	171,824	171,824
^ Shanghai Qian Hu Aquarium and Pets Co., Ltd	Distribution of aquarium and pet accessories	People's Republic of China	100	100	1,086,516	1,086,516
^ Guangzhou Qian Hu OF Feed Co., Ltd	Manufacture of fish feed	People's Republic of China	100	100	126,170	126,170
^ Guangzhou Qian Hu Aquarium and Pets Co., Ltd	Distribution of aquarium and pet accessories	People's Republic of China	100	–	69,000	–
^ Qian Hu Marketing Co Ltd	Distribution of aquarium and pet accessories	Thailand	74[♦]	74[♦]	148,262	148,262
^ Thai Qian Hu Company Limited and its subsidiary:	Trading of ornamental fish	Thailand	60	60	121,554	121,554
^ Advance Aquatic Co., Ltd	Trading of ornamental fish	Thailand	60	60	–	–
^ NNTL (Thailand) Limited	Investment holding	Thailand	49[@]	49[@]	30,999	30,999
^ P.T. Qian Hu Joe Aquatic Indonesia	Trading of ornamental fish	Indonesia	90	90	381,459	381,459
					2,380,785	2,295,785

8 Subsidiaries (continued)

KPMG LLP Singapore is the auditor of the Singapore-incorporated subsidiary.

* *Audited by KPMG LLP Singapore.*

^ *Audited by other certified public accountants. These subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual. For this purpose, a subsidiary is considered significant if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.*

♦ *This represents the Group's effective interest in Qian Hu Marketing Co Ltd. The Company holds a 49% direct interest in Qian Hu Marketing Co Ltd and the remaining effective interest of 25% is held through a subsidiary, NNTL (Thailand) Limited.*

@ *NNTL (Thailand) Limited is considered a subsidiary of the Company as the Company has voting control at general meetings and board meetings of NNTL (Thailand) Limited.*

During the financial year, the Company incorporated a wholly-owned subsidiary in Malaysia, Qian Hu Development Sdn. Bhd., with an authorised and paid-up capital of RM400,000 and RM50,000 respectively.

The Company also acquired a 100% equity interest in Guangzhou Qian Hu Aquarium and Pets Co., Ltd for a cash consideration of S$69,000. The acquisition was accounted for using the purchase method of accounting.

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.

There are no subsidiaries that have NCI that are material to the Group.

9 Associate

	Group		Company	
	2016 $	**2015 $**	**2016 $**	**2015 $**
Investment in associate, at cost	812,600	812,600	812,600	812,600
Impairment loss on investment	(221,779)	(221,779)	(400,000)	(400,000)
Share of post-acquisition losses	(313,197)	(283,358)	–	–
	277,624	307,463	412,600	412,600

Investment in associate at 31 December 2016 includes goodwill of $134,289 (2015: $134,289).

Details of the associate are as follows:

	Arcadia Products PLC
Nature of relationship with the Group	Strategic customer providing access to the European aquarium market
Principle place of business/Country of incorporation	United Kingdom
Ownership interest/Voting rights held	20% (2015: 20%)

Notes to the Financial Statements
(cont'd)

9 Associate (continued)

The associate is audited by other certified public accountants. This associate is not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual. For this purpose, an associated company is considered significant if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

The summarised financial information relating to the associate is not adjusted for the percentage of ownership held by the Group.

The financial information of the associate is as follows:

	2016 $	2015 $
Assets and liabilities		
Total assets	4,825,497	5,986,520
Total liabilities	2,966,494	3,370,236
Results		
Revenue	6,017,339	7,275,503
Expenses	6,203,760	7,390,760
Loss after taxation	(186,421)	(115,256)

Impairment of investment in associate

Significant judgement is required in determining the impairment of this associate at each reporting date and this requires the management to make estimates and assumptions that affect the financial statements.

Management is required to exercise judgement in determining whether there is objective evidence that an impairment loss has occurred.

Management has performed an impairment review to assess the recoverable amount of the associate. An impairment loss of $221,779 and $400,000 was recognised at the Group and at the Company, respectively, for the year ended 31 December 2012 to write down the carrying amount of the associate to its recoverable amounts.

Management has performed an impairment review as at 31 December 2016 and determined that no additional or reversal of impairment loss is required in 2016. The estimate of the recoverable amount of the investment has been determined by management based on the net assets value of the associate as at 31 December 2016, which approximates the recoverable amount of the investment in the associate.

10 Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Trade receivables	27,614,275	27,917,547	20,262,308	21,562,976
Allowance for doubtful trade receivables	(2,377,481)	(2,360,006)	(2,289,290)	(2,283,520)
Net receivables	25,236,794	25,557,541	17,973,018	19,279,456
Deposits	276,012	423,534	45,182	67,385
Tax recoverable	51,910	32,771	–	–
Other receivables	4,309,724	3,940,304	4,180,894	3,842,681
Amounts due from:				
- subsidiaries (trade)	–	–	6,435,585	6,233,190
- subsidiaries (non-trade)	–	–	2,842,969	1,274,808
- associate (trade)	848,973	811,940	848,973	811,940
Loans and receivables	30,723,413	30,766,090	32,326,621	31,509,460
Deposits for purchase of property, plant and equipment	1,212,651	1,048,863	263,764	379,053
Prepayments	1,165,334	1,185,774	170,586	213,473
Advances to suppliers	636,309	2,179,444	595,821	2,109,301
	33,737,707	35,180,171	33,356,792	34,211,287
Non-current	9,031,147	–	9,031,147	–
Current	24,706,560	35,180,171	24,325,645	34,211,287
	33,737,707	35,180,171	33,356,792	34,211,287

Outstanding non-trade balances with subsidiaries are unsecured, interest-free and are repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

Receivables denominated in currencies other than the Company's functional currency comprise:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
US Dollar	2,075,922	3,227,253	840,308	2,022,736
Euro	48,261	101,103	3,427	26,148
Malaysian Ringgit	1,447,082	1,340,780	–	–
Thai Baht	929,233	726,770	–	–
Chinese Renminbi	2,916,070	2,997,268	1,667,139	1,965,525
Indonesian Rupiah	187,674	18,022	–	–

Notes to the Financial Statements
(cont'd)

10 Trade and other receivables (continued)

Allowance for doubtful loans and receivables

The ageing of loans and receivables at the reporting date is:

	Gross loans and receivables 2016 $	Allowance for doubtful loans and receivables 2016 $	Gross loans and receivables 2015 $	Allowance for doubtful loans and receivables 2015 $
Group				
Not past due	8,160,918	–	8,588,483	–
Past due 1 – 30 days	3,598,096	–	3,807,388	–
Past due 31 – 60 days	1,562,810	–	1,598,034	–
Past due 61 – 90 days	2,950,105	–	1,105,702	–
Past due more than 90 days	16,828,965	2,377,481	18,026,489	2,360,006
	33,100,894	2,377,481	33,126,096	2,360,006
Company				
Not past due	14,219,777	–	13,031,358	–
Past due 1 – 30 days	1,598,956	–	2,068,182	–
Past due 31 – 60 days	980,258	–	909,645	–
Past due 61 – 90 days	1,953,968	–	459,737	–
Past due more than 90 days	15,862,952	2,289,290	17,324,058	2,283,520
	34,615,911	2,289,290	33,792,980	2,283,520

The change in allowance for doubtful trade receivables during the financial year is as follows:

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
At 1 January	2,360,006	2,715,862	2,283,520	2,623,466
Allowance for doubtful trade receivables recognised	177,817	181,522	163,848	172,111
Amount written off against allowance made	(159,680)	(525,074)	(158,078)	(512,057)
Translation differences on consolidation	(662)	(12,304)	–	–
At 31 December	2,377,481	2,360,006	2,289,290	2,283,520

Trade and other receivables of the Group and the Company as at 31 December 2016 include approximately $9.8 million (2015: $10.5 million) owing by Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH), a former subsidiary of the Group. These include trade receivables of $8.5 million (2015: $9.1 million) and non-trade receivables of $1.3 million (2015: $1.4 million), of which the recoverability of $7.7 million (2015: $8.3 million) owing by GZQH prior to its disposal is guaranteed by a major shareholder of the Company and a director of the Company as disclosed in Note 25. Management is of the view that these amounts are not impaired as GZQH will be able to repay the debts from its operating or other cash flows and substantial amount is guaranteed as stated above.

10 Trade and other receivables (continued)

The receivables from GZQH as at 31 December 2015 were repayable on demand. During 2016, the Company entered into a repayment arrangement with GZQH and consequently, $0.8 million of the receivables as of 31 December 2016 is due on 31 December 2017 and the remaining amount of $9.0 million is due on 31 March 2018.

In the prior year, included in other receivables of the Group and Company as at 31 December 2015 is a non-trade amount of approximately $1.1 million owed by Kim Kang Aquaculture Sdn. Bhd. (KKSB), a former subsidiary of the Group.

Included in other receivables of the Group and Company as at 31 December 2016 is a non-trade amount of approximately $2.8 million (2015: $2.6 million) owing by the purchasers of KKSB which is repayable via brooder stocks over a two-year period commencing 1 January 2017.

Except for the abovementioned, concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. Many of these customers are internationally dispersed, engage in a wide spectrum of distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

11 Inventories

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Fish	2,742,489	3,053,139	2,028,362	2,314,237
Accessories	11,817,850	11,807,893	4,639,214	4,729,121
Raw materials – plastic products	284,783	363,295	–	–
Finished goods – plastic products	607,713	523,526	–	–
	15,452,835	15,747,853	6,667,576	7,043,358

12 Cash and cash equivalents

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Cash and bank balances	8,723,403	7,771,930	5,236,230	4,287,591

Cash and bank balances earn interests at floating rates based on daily bank deposits rates from 0% to 0.1% (2015: 0% to 0.1%) per annum.

Notes to the Financial Statements
(cont'd)

12 Cash and cash equivalents (continued)

Cash and cash equivalents denominated in foreign currencies other than the Company's functional currency comprise:

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
US Dollar	1,032,937	1,194,032	945,745	953,098
Euro	100,412	205,091	30,596	131,232
Malaysian Ringgit	497,922	603,423	–	–
Thai Baht	906,755	1,136,859	–	–
Chinese Renminbi	1,050,858	801,666	41,462	45,237
Indonesian Rupiah	22,195	22,330	–	–

13 Share capital

	Company			
	2016 $	2016 No. of shares	2015 $	2015 No. of shares
Fully paid ordinary shares, with no par value:				
At 1 January	30,772,788	113,526,467	30,772,788	454,106,350
Share consolidation	–	–	–	(340,579,883)
At 31 December	30,772,788	113,526,467	30,772,788	113,526,467

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding NCI. The Board of Directors also monitors the level of dividends to ordinary equity holders. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Net debt	18,088,871	16,886,539	15,803,816	15,359,345
Total equity	50,493,768	50,307,778	41,290,557	42,126,875
Total capital	68,582,639	67,194,317	57,094,373	57,486,220
Gearing ratio	0.26	0.25	0.28	0.27

13 Share capital (continued)

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2015 and 2016. There were no changes in the Group's approach to capital management during the financial year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

14 Reserves

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Retained earnings	18,809,782	18,969,013	10,537,020	11,395,914
Translation reserve	(1,037,191)	(1,069,109)	(19,251)	(41,827)
	17,772,591	17,899,904	10,517,769	11,354,087

The translation reserve of the Group and the Company comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company and the translation of monetary items which form part of the Group's net investment in the foreign operations, provided certain conditions are met.

15 Loans and borrowings

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Non-current liabilities				
Finance lease liabilities	364,249	141,535	241,311	824
	364,249	141,535	241,311	824
Current liabilities				
Singapore dollar short-term loans (unsecured)	14,500,000	13,500,000	14,500,000	13,500,000
Thai Baht fixed rate loan (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
	15,205,094	14,427,293	14,771,094	13,971,253
Total borrowings	15,569,343	14,568,828	15,012,405	13,972,077

The Thai Baht loan is secured by a mortgage on the subsidiary's freehold land and is callable on demand. It bears interest at 6.75% per annum and is payable in 50 monthly instalments commencing September 2014.

The unsecured short-term loans are revolving bank loans which bear interest at rates from 1.69% to 2.00% (2015: 1.88% to 2.30%) per annum and are repayable within the next 12 months from the reporting date.

The weighted average effective interest rates per annum relating to the bills payable to banks, at the reporting date for the Group and the Company are 5.09% (2015: 5.65%) and 5.25% (2015: 5.25%) respectively. These bills mature within 1 to 4 months from the reporting date.

Notes to the Financial Statements (cont'd)

15 Loans and borrowings (continued)

Finance lease liabilities

At 31 December, the Group and the Company had obligations under finance leases that are payable as follows:

	2016			2015		
	Principal $	Interest $	Payments $	Principal $	Interest $	Payments $
Group						
Repayable within 1 year	209,165	23,253	232,418	134,825	15,213	150,038
Repayable after 1 year but within 5 years	364,249	47,408	411,657	141,535	20,694	162,229
	573,414	70,661	644,075	276,360	35,907	312,267
Company						
Repayable within 1 year	74,398	8,665	83,063	18,331	2,896	21,227
Repayable after 1 year but within 5 years	241,311	30,084	271,395	824	138	962
	315,709	38,749	354,458	19,155	3,034	22,189

Lease terms range from 1 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rates implicit in the Group's and the Company's finance lease obligations are 4.91% (2015: 4.37%) and 5.38% (2015: 4.56%) respectively.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

		Cash flows			
	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 1 to 5 years $	More than 5 years $
Group					
2016					
Bills payable to banks	353,721	371,725	371,725	–	–
S$ floating rate loans	14,500,000	14,767,525	14,767,525	–	–
Thai Baht fixed rate loan	142,208	151,807	151,807	–	–
Finance lease liabilities	573,414	644,075	232,418	411,657	–
Trade and other payables	11,242,931	11,242,931	11,242,931	–	–
	26,812,274	27,178,063	26,766,406	411,657	–
2015					
Bills payable to banks	580,308	613,095	613,095	–	–
S$ floating rate loans	13,500,000	13,782,150	13,782,150	–	–
Thai Baht fixed rate loan	212,160	226,481	226,481	–	–
Finance lease liabilities	276,360	312,267	150,038	162,229	–
Trade and other payables	10,089,641	10,089,641	10,089,641	–	–
	24,658,469	25,023,634	24,861,405	162,229	–

15 Loans and borrowings (continued)

	Carrying amount $	Cash flows: Contractual cash flows $	Within 1 year $	Within 1 to 5 years $	More than 5 years $
Company					
2016					
Bills payable to banks	196,696	207,023	207,023	–	–
S$ floating rate loans	14,500,000	14,767,525	14,767,525	–	–
Finance lease liabilities	315,709	354,458	83,063	271,395	–
Trade and other payables	6,027,641	6,027,641	6,027,641	–	–
	21,040,046	21,356,647	21,085,252	271,395	–
2015					
Bills payable to banks	452,922	476,700	476,700	–	–
S$ floating rate loans	13,500,000	13,782,150	13,782,150	–	–
Finance lease liabilities	19,155	22,189	21,227	962	–
Trade and other payables	5,674,859	5,674,859	5,674,859	–	–
	19,646,936	19,955,898	19,954,936	962	–

In addition to the above table, the Company also has liquidity risk arising from issued financial guarantees to certain banks in respect of banking facilities granted to certain subsidiaries amounting to approximately $1,700,000 (2015: $1,700,000), which fall within the 1 year category (refer to Note 27).

16 Deferred tax liabilities

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Deferred tax liabilities				
Property, plant and equipment and biological assets	49,703	428,582	–	380,000

Movement in deferred tax liabilities

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
At 1 January	428,582	410,000	380,000	380,000
Recognised in profit or loss	(378,708)	18,582	(380,000)	–
Translation differences on consolidation	(171)	–	–	–
At 31 December	49,703	428,582	–	380,000

Notes to the Financial Statements
(cont'd)

16 Deferred tax liabilities (continued)

Unrecognised deferred tax assets

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Deductible temporary differences	4,644,199	4,267,873	4,644,199	4,267,873
Tax losses	4,801,218	4,797,261	4,646,976	4,646,976
	9,445,417	9,065,134	9,291,175	8,914,849

Deferred tax assets have not been recognised in respect of tax losses for certain subsidiaries because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

17 Trade and other payables

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Trade payables	7,442,284	5,968,974	2,679,552	2,268,637
Accrued operating expenses	529,817	400,843	451,629	316,555
Other payables	1,655,057	2,054,809	1,291,925	1,840,129
Accrued staff costs	1,239,982	1,198,177	807,707	771,872
Advance received from customers	375,790	466,838	112,662	222,343
Amounts due to subsidiaries				
- trade	–	–	144,334	208,666
- non-trade	–	–	539,832	46,657
	11,242,930	10,089,641	6,027,641	5,674,859

Other payables are interest-free and have an average term of three months. The non-trade amounts due to subsidiaries are unsecured, interest-free and are repayable on demand.

Payables denominated in currencies other than the Company's functional currency comprise:

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
US Dollar	1,966,181	275,879	1,817,625	–
Euro	4,866	1,243	4,866	1,243
Malaysian Ringgit	544,103	961,789	7,183	10,267
Thai Baht	357,826	195,417	–	–
Chinese Renminbi	3,156,553	2,237,751	849,915	945,560
Australian Dollar	9,871	213,922	9,871	213,922
Hong Kong Dollar	95,767	43,600	95,767	43,600
New Taiwan Dollar	89,656	63,565	44,585	24,840
Indonesian Rupiah	132,240	61,334	–	–

18 Revenue

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Sale of goods				
- fish	31,678,375	31,372,573	21,714,265	21,988,966
- accessories	37,648,510	35,399,118	22,129,976	23,174,982
- plastics	11,143,416	11,198,773	–	–
	80,470,301	77,970,464	43,844,241	45,163,948

19 Net finance costs

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Interest income				
- bank deposits	9,347	6,044	2,141	2,137
Interest expense				
- bank loans and overdrafts	(289,481)	(244,224)	(277,789)	(244,224)
- bills payable to banks	(28,765)	(19,638)	(19,376)	(14,456)
- finance lease liabilities	(21,183)	(38,129)	(5,645)	(4,902)
	(339,429)	(301,991)	(302,810)	(263,582)
Net finance costs	(330,082)	(295,947)	(300,669)	(261,445)

Notes to the Financial Statements
(cont'd)

20 (Loss) Profit before tax

The following items have been included in arriving at (loss) profit before tax:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Allowance for (Write back of allowance for)				
- doubtful trade receivables	177,817	181,522	163,848	172,111
- inventory obsolescence	(17,000)	(50,000)	(17,000)	(50,000)
Bad trade receivables written off	44,334	43,402	35,479	35,569
Auditors’ remuneration				
- auditors of the Company	112,323	105,000	97,000	90,000
- other auditors	18,527	15,687	–	–
Non-audit fees				
- other auditors	21,050	24,590	14,160	17,700
Depreciation of				
- property, plant and equipment	1,666,899	1,427,321	987,151	885,667
- biological assets	187,254	189,499	187,254	189,499
Amortisation of intangible asset	3,668	–	3,668	–
Exchange loss (gain), net	14,836	(494,779)	70,837	(394,315)
Operating lease expenses	1,115,612	1,102,458	217,769	192,112
Property, plant and equipment written off	435	–	112	–
Staff costs				
- salaries and bonus	12,061,164	10,975,613	7,456,628	6,872,461
- provident fund contributions	824,182	763,745	512,593	463,967
- staff welfare benefits	937,028	849,193	543,083	564,002
Directors’ fees				
- directors of the Company	105,000	90,417	105,000	90,417
Change in fair value less estimated point-of-sale costs of breeder stocks	–	17,200	–	17,200
Other (income) expenses				
- gain on disposal of property, plant and equipment	(78,310)	(46,953)	(17,947)	–
- gain on disposal of biological assets	(1,420)	–	(1,420)	–
- dividend income received from subsidiaries	–	–	(400,000)	(1,159,678)
- sundry income	(221,423)	(169,578)	(122,274)	(93,026)

21 Tax (credit) expense

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Tax recognised in profit or loss				
Current tax expense				
Current year	102,543	314,262	–	11,968
Over provision in respect of prior years	(56,188)	(54,950)	–	–
	46,355	259,312	–	11,968
Deferred tax (credit) expense				
Origination and reversal of temporary differences	1,292	18,582	–	–
Over provision in respect of prior years	(380,000)	–	(380,000)	–
	(378,708)	18,582	(380,000)	–
Total tax (credit) expense	(332,353)	277,894	(380,000)	11,968
Reconciliation of effective tax rate				
(Loss) Profit before tax	(10,168)	549,462	(1,011,842)	244,902
Tax using Singapore tax rate of 17% (2015: 17%)	(1,729)	93,409	(172,013)	41,633
Effect of tax rates in foreign jurisdictions	12,278	28,087	–	–
Expenses not deductible for tax purposes	44,859	56,037	56,870	50,000
Income not subject to tax	(80,721)	(60,566)	(68,000)	(223,070)
Change in unrecognised temporary differences	77,869	–	183,143	–
Recognition of tax effect of previously unrecognised tax losses	(17,690)	–	–	–
Withholding tax	–	11,968	–	11,968
Over provision in respect of prior years	(436,188)	(54,950)	(380,000)	–
Others	68,969	203,909	–	131,437
Tax expense	(332,353)	277,894	(380,000)	11,968

Tax recognised in other comprehensive income
There is no tax effect on the translation differences relating to financial statements of foreign operations in other comprehensive income.

Notes to the Financial Statements
(cont'd)

22 Directors' remuneration

Company's directors receiving remuneration from the Group:

	Group Number of directors 2016 $	2015 $
Remuneration of:		
$500,000 and above	–	–
$250,000 to $499,999	4	4
Below $250,000	4	4
	8	8

Names of director	Salary $	Bonus $	Directors' fees $	Total $
Group				
2016				
Kenny Yap Kim Lee	306,240	–	–	306,240
Alvin Yap Ah Seng	276,240	–	–	276,240
Andy Yap Ah Siong	276,240	–	–	276,240
Lai Chin Yee	276,240	–	–	276,240
Tan Tow Ee	–	–	30,000	30,000
Chang Weng Leong	–	–	25,000	25,000
Sharon Yeoh Kar Choo	–	–	25,000	25,000
Ling Kai Huat	–	–	25,000	25,000
Total	1,134,960	–	105,000	1,239,960
2015				
Kenny Yap Kim Lee	303,850	–	–	303,850
Alvin Yap Ah Seng	273,750	–	–	273,750
Andy Yap Ah Siong	274,200	–	–	274,200
Lai Chin Yee	274,150	–	–	274,150
Tan Tow Ee	–	–	30,000	30,000
Chang Weng Leong	–	–	25,000	25,000
Sharon Yeoh Kar Choo	–	–	25,000	25,000
Ling Kai Huat	–	–	10,417	10,417
Total	1,125,950	–	90,417	1,216,367

23 Earnings per share

	Group 2016	2015
Profit attributable to equity holders of the Company ($)	67,821	18,762
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	113,526,467	113,526,467
Basic earnings per share (cents)	0.06	0.02

The calculation of basic earnings per share at 31 December was based on profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding.

The Group has no dilution in its earnings per share at 31 December 2016 and 31 December 2015.

24 Dividends

	Group and Company	
	2016	2015
	$	$
Final dividend paid of 0.1 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2014	–	454,106
Final dividend paid of 0.2 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2015	227,052	–
	227,052	454,106

The directors do not propose a final dividend for the year ended 31 December 2016.

25 Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the authorities of the entity. The directors are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	Group	
	2016	2015
	$	$
Short-term employee benefits		
- directors of the Company	1,239,960	1,216,367
- other key management personnel	1,256,920	1,018,064
	2,496,880	2,234,431

Other related party transactions

As mentioned in Note 10, trade and other receivables amounting to approximately $7.7 million (2015: $8.3 million) due from a former subsidiary are guaranteed by a major shareholder of the Company and a director of the Company. The Company is charged a guarantee fee of 0.5% per annum with effect from January 2012 for the guarantee from a major shareholder of the Company.

Notes to the Financial Statements (cont'd)

25 Significant related party transactions (continued)

Other than disclosed elsewhere in the financial statements, the transactions with related parties at terms agreed between the parties, are as follows:

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Sales to subsidiaries	–	–	4,257,768	4,728,326
Purchases from subsidiaries	–	–	2,132,413	1,350,690
Sales to associate	606,667	1,251,442	606,667	1,251,442
Purchases from associate	11,186	8,861	11,186	8,861
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

26 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products. For each of the strategic business units, the Group's Executive Chairman and Managing Director reviews internal management reports on a monthly basis.

The Group's reportable operating segments are as follows:

(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.

The accounting policies of the reportable segments are the same as described in Note 3. Information regarding the results of each reportable segment is included below. Performance is measured based on profit before tax, as included in the internal management reports that are reviewed by the Group's Executive Chairman and Managing Director. Profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Certain financing costs are managed on a group basis and are not allocated to operating segments. Segment assets and liabilities are presented net of inter-segment balances. Inter-segment pricing is determined on mutually agreed terms.

Segment expenditure for non-current assets is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

26 Operating segments (continued)

Information about reportable segments

	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
2016					
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
Operating profit	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 (Loss) for the year	680	910	912	(2,180)	322
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					
Expenditure for non-current assets	1,651	856	339	–	2,846
Other non-cash items					
Bad trade receivables written off	44	–	–	–	44
Allowance for (Write back of allowance for)					
- doubtful trade receivables	64	109	5	–	178
- inventory obsolescence	–	(17)	–	–	(17)
Gain on disposal of					
- property, plant and equipment	(13)	(37)	(29)	–	(79)
- brooder stocks	(1)	–	–	–	(1)

Notes to the Financial Statements
(cont'd)

26 Operating segments (continued)
Information about reportable segments (continued)

	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
2015					
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
Operating profit	790	1,192	723	(2,110)	595
Share of losses of associate	–	(46)	–	–	(46)
Profit (Loss) before tax	790	1,146	723	(2,110)	549
Tax expense	(182)	(60)	(35)	–	(277)
Profit (Loss) for the year	608	1,086	688	(2,110)	272
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					
Expenditure for non-current assets	1,254	445	168	–	1,867
Other non-cash items					
Bad trade receivables written off	40	3	–	–	43
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
Gain on disposal of property, plant and equipment	–	(44)	(3)	–	(47)

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

26 Operating segments (continued)

Geographical segments

Geographical segments are analysed by four principal geographical areas, namely Singapore, other Asian countries, 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.

Geographical Information

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

Major customers

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

27 Financial risk management

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of trade and other receivables.

Notes to the Financial Statements
(cont'd)

27 Financial risk management (continued)

***Credit risk* (continued)**

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily the United States Dollar (US Dollar), Euro, Malaysian Ringgit, Thai Baht and Chinese Renminbi.

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

27 Financial risk management (continued)

Sensitivity analysis

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would increase (decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group $	Company $
31 December 2016		
US Dollar	(114,268)	3,157
Euro	(14,381)	(2,916)
Malaysian Ringgit	(140,090)	718
Thai Baht	(147,816)	–
Chinese Renminbi	(81,037)	(85,869)
Australian Dollar	987	987
Hong Kong Dollar	9,577	9,577
New Taiwan Dollar	8,966	4,458
Indonesian Rupiah	(7,763)	–
31 December 2015		
US Dollar	(414,541)	(297,583)
Euro	(30,495)	(15,614)
Malaysian Ringgit	(98,241)	1,027
Thai Baht	(166,821)	–
Chinese Renminbi	(156,118)	(106,520)
Australian Dollar	21,392	21,392
Hong Kong Dollar	4,360	4,360
New Taiwan Dollar	6,357	2,484
Indonesian Rupiah	2,098	–

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Business risk

The main risk arising from the Group's livestock is business risk. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good healthcare management and hygiene for its livestock. Currently, all its domestic and overseas fish operations have attained ISO 9001 : 2008 certification.

Interest rate risk

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Notes to the Financial Statements
(cont'd)

27 Financial risk management (continued)

The Group obtains additional financing through bank borrowings and finance lease arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The following table sets out the carrying amounts as at 31 December, by maturity or repricing, whichever is earlier, of the financial instruments of the Group and the Company that are exposed to interest rate risk:

	Within 1 year $'000	1 to 5 years $'000	Total $'000
Group			
2016			
Financial liabilities			
Fixed rate			
Thai Baht loan	142	–	142
Bills payable to banks	354	–	354
Finance lease liabilities	209	364	573
Floating rate			
Bank term loans	14,500	–	14,500
Company			
2016			
Financial liabilities			
Fixed rate			
Bills payable to banks	197	–	197
Finance lease liabilities	75	241	316
Floating rate			
Bank term loans	14,500	–	14,500
Group			
2015			
Financial liabilities			
Fixed rate			
Thai Baht loan	212	–	212
Bills payable to banks	580	–	580
Finance lease liabilities	135	141	276
Floating rate			
Bank term loans	13,500	–	13,500

27 Financial risk management (continued)

	Within 1 year $'000	1 to 5 years $'000	Total $'000
Company			
2015			
Financial liabilities			
Fixed rate			
Bills payable to banks	453	–	453
Finance lease liabilities	18	1	19
Floating rate			
Bank term loans	13,500	–	13,500

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore a change in interest rates at reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

For the variable rate financial assets and liabilities, a change of 100 basis point (bp) in interest rate at the reporting date would increase (decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp Increase $	100 bp Decrease $
Group		
31 December 2016		
Floating rate instruments	(145,000)	145,000
31 December 2015		
Floating rate instruments	(135,000)	135,000
Company		
31 December 2016		
Floating rate instruments	(145,000)	145,000
31 December 2015		
Floating rate instruments	(135,000)	135,000

Notes to the Financial Statements
(cont'd)

27 Financial risk management (continued)

Intra-group financial guarantees

The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries or related parties.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The intra-group financial guarantees are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to approximately $1.7 million (2015: $1.7 million).

Accounting classifications and fair values

The carrying amounts of financial assets and financial liabilities are as follows. It does not include fair value information for financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Loans and receivables $	Liabilities at amortised cost $	Total carrying amount $
2016			
Group			
Financial assets			
Trade and other receivables	30,723,413	–	30,723,413
Cash and cash equivalents	8,723,403	–	8,723,403
	39,446,816	–	39,446,816
Financial liabilities			
Finance lease liabilities	–	(573,414)	(573,414)
Bank term loans	–	(14,642,208)	(14,642,208)
Bills payable to banks	–	(353,721)	(353,721)
Trade and other payables	–	(11,242,931)	(11,242,931)
	–	(26,812,274)	(26,812,274)

27 Financial risk management (continued)

Accounting classifications and fair values (continued)

	Loans and receivables $	Liabilities at amortised cost $	Total carrying amount $
2016			
Company			
Financial assets			
Trade and other receivables	32,326,621	–	32,326,621
Cash and cash equivalents	5,236,230	–	5,236,230
	37,562,851	–	37,562,851
Financial liabilities			
Finance lease liabilities	–	(315,709)	(315,709)
Bank term loans	–	(14,500,000)	(14,500,000)
Bills payable to banks	–	(196,696)	(196,696)
Trade and other payables	–	(6,027,641)	(6,027,641)
	–	(21,040,046)	(21,040,046)
2015			
Group			
Financial assets			
Trade and other receivables	30,766,090	–	30,766,090
Cash and cash equivalents	7,771,930	–	7,771,930
	38,538,020	–	38,538,020
Financial liabilities			
Finance lease liabilities	–	(276,360)	(276,360)
Bank term loans	–	(13,712,160)	(13,712,160)
Bills payable to banks	–	(580,308)	(580,308)
Trade and other payables	–	(10,089,641)	(10,089,641)
	–	(24,658,469)	(24,658,469)
Company			
Financial assets			
Trade and other receivables	31,509,460	–	31,509,460
Cash and cash equivalents	4,287,591	–	4,287,591
	35,797,051	–	35,797,051
Financial liabilities			
Finance lease liabilities	–	(19,155)	(19,155)
Bank term loans	–	(13,500,000)	(13,500,000)
Bills payable to banks	–	(452,922)	(452,922)
Trade and other payables	–	(5,674,859)	(5,674,859)
	–	(19,646,936)	(19,646,936)

Notes to the Financial Statements (cont'd)

28 Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumption made in determining fair value is disclosed in the notes specific to that asset or liability.

Investment property

Investment property relates to freehold land held by the Group. Its fair value is estimated by an independent valuer using direct comparison method of valuation. The method entails analysis of sales and listings of similar properties in the locality and the value of the property is arrived at by comparison after making adjustments for differences in location, size, neighbourhood and other relevant factors. The significant unobservable inputs include adjustments to price per square feet at comparable properties.

Interest-bearing bank loans

The carrying value of interest-bearing bank loans that reprice within six months of the reporting date is assumed to approximate their fair values. The carrying amounts of the term loans also approximate fair value as it is subject to floating interest rates which in turn approximate the current market interest rate for similar loan at reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, bills payable to banks and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Biological assets - breeder stocks

Breeder stocks are the offsprings of brooder stocks, held for trading purposes. The holding period of these breeder stocks is usually 2 to 3 months before they are put up for sale. As at the reporting date, these stocks are measured based on their fair value less estimated point-of-sale costs, with any change therein recognised in profit or loss. The fair value is determined based on the age, breed and genetic merit of similar fish that can be purchased from suppliers. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

Fair value hierarchy

The table below analyses recurring non-financial assets carried at fair value. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28 Measurement of fair values (continued)

	Level 1 $	Level 2 $	Level 3 $	Total $
Group and Company				
2016				
Breeder stocks	–	–	66,780	66,780
2015				
Breeder stocks	–	–	24,780	24,780

The entity's policy is to recognise transfers out of Level 3 as of the end of the reporting period during which the transfer occurred.

The following table shows the key unobservable inputs used in the valuation models:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Biological assets		
Breeder stocks	• Premiums on quality, estimated based on colour and size • Estimated future breeder market price	As the estimated fair value increases, the higher is the estimated selling price and premium of breeder.

Valuation processes applied by the Group

The assessment of fair value of breeder stocks is performed by the Group's finance department and operations team on a quarterly basis. The finance department reports to the Group's Finance Director (FD).

29 Commitments

At 31 December, the Group has operating lease commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2016 $	2015 $
Payable:		
- Within 1 year	336,094	114,773
- After 1 year but within 5 years	459,092	–
	795,186	114,773

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Notes to the Financial Statements (cont'd)

30 Acquisitions of subsidiaries

During the year, the Group acquired 100% equity interest in Guangzhou Qian Hu Aquarium and Pets Co., Ltd (GZAP) for a cash consideration of RMB335,000 (equivalent to S$69,000). GZAP is principally engaged in distribution of aquarium and pet accessories.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	S$
Property, plant and equipment	2,965
Cash and cash equivalents	76,947
Inventories	513,993
Trade and other receivables	246,873
Trade and other payables	(771,003)
Total identifiable net assets	69,775
Negative goodwill on acquisition	(775)
Total purchase consideration	69,000

Net cash inflow arising from acquisition of subsidiary:

	S$
Purchase consideration settled in cash and cash equivalents	69,000
Cash and cash equivalent acquired	(76,947)
	(7,947)

Statistics of Shareholders

As at 31 January 2017

Class of Shares	:	Ordinary shares
Number of Shares Issued	:	113,526,467
Issued and Fully Paid-Up Capital	:	$30,772,788
Voting Rights	:	On a poll - One vote for each ordinary share
Number of Treasury Shares	:	Nil

Analysis of Shareholders

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	198	7.70	6,847	0.01
100 - 1,000	423	16.44	205,410	0.18
1,001 - 10,000	1,155	44.91	5,418,812	4.77
10,001 - 1,000,000	776	30.17	37,506,712	33.04
1,000,001 and above	20	0.78	70,388,686	62.00
Total	2,572	100.00	113,526,467	100.00

Substantial Shareholders

	Shareholdings registered in the name of the substantial shareholders		Shareholdings held by substantial shareholders in the name of nominees	
Name of Substantial Shareholder	No. of Shares	%	No. of Shares	%
1 Qian Hu Holdings Pte Ltd	27,250,000	24.00	–	–
2 Yap Ah Seng Alvin*	3,951,138	3.48	–	–
3 Yap Ah Siong Andy*	3,925,000	3.46	–	–
4 Yap Kim Choon*	3,925,000	3.46	–	–
5 Yap Kim Lee Kenny*	3,500,000	3.08	–	–
6 Yap Hock Huat*	3,000,000	2.64	–	–
7 Yap Ping Heng*	3,000,000	2.64	–	–
8 Yap Kim Chuan*	1,505,498	1.33	2,419,501	2.13

* *Each has a shareholding of 14.04% in Qian Hu Holdings Pte Ltd ("QHHPL") except for Yap Kim Lee Kenny whose shareholding in QHHPL is 15.76%.*

Twenty Largest Shareholders

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital
1	Qian Hu Holdings Pte Ltd	27,250,000	24.00
2	Yap Ah Seng Alvin	3,951,138	3.48
3	Yap Ah Siong Andy	3,925,000	3.46
4	Yap Kim Choon	3,925,000	3.46
5	Yap Kim Lee Kenny	3,500,000	3.08
6	Yap Hock Huat	3,000,000	2.64
7	Yap Ping Heng	3,000,000	2.64
8	Choo Chee Kiong	2,500,000	2.20
9	Hong Leong Finance Nominees Pte Ltd	2,469,500	2.18
10	Yap Chew Ring	2,424,475	2.14
11	Wong Bei Keen	1,827,500	1.61
12	Yap Hey Cha	1,750,000	1.54
13	Ang Kim Sua	1,723,500	1.52
14	Phillip Securities Pte Ltd	1,636,529	1.44
15	Yap Kim Chuan	1,505,498	1.33
16	Tan Boon Kim	1,330,581	1.17
17	Lim Yew Hoe	1,293,750	1.14
18	Royal Inst of Construction Economists Pte Ltd	1,225,200	1.08
19	DBS Nominees Pte Ltd	1,093,753	0.96
20	Raffles Nominees (Pte) Ltd	1,057,262	0.93
	Total	**70,388,686**	**62.00**

Shareholding Held in the Hands of Public

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 44.31% of the issued share capital of the Company was held in the hands of the public as at 31 January 2017. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Wednesday, 22 March 2017 at 11.00 a.m. to transact the following business:-

Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 and the Auditors' Report thereon. **[Resolution 1]**

2. To re-elect Mr Andy Yap Ah Siong, who is retiring by rotation in accordance with Regulation 89 of the Company's Constitution, as Director of the Company. **[Resolution 2]**

3. To re-elect Mr Chang Weng Leong, who is retiring by rotation in accordance with Regulation 89 of the Company's Constitution, as Director of the Company. **[See Explanatory Note (a)]** **[Resolution 3]**

4. To re-elect Ms Sharon Yeoh Kar Choo, who is retiring by rotation in accordance with Regulation 89 of the Company's Constitution, as Director of the Company. **[See Explanatory Note (b)]** **[Resolution 4]**

5. To approve the sum of S$105,000 as Directors' fees for the financial year ended 31 December 2016. (2015: S$90,417). **[Resolution 5]**

6. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**

7. To transact any other business that may be transacted at an Annual General Meeting.

Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:-

8. **General Mandate to authorise the Directors to issue shares or convertible securities**
   "That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**"), the Constitution and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:-

   (a) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements, or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force):

   (i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the Directors while this Resolution was in force; and

   (ii) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force or such additional Instruments in (b)(i) above, provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 15% of the Company's total number of issued Shares (excluding treasury shares, if any) (as calculated in accordance with sub-paragraph (2) below); and

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution, after adjusting for:-

    (a) new Shares arising from the conversion or exercise of convertible securities;

    (b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and

    (c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. **[See Explanatory Note (c)]** **[Resolution 7]**

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
28 February 2017

Notice of Annual General Meeting
(cont'd)

Explanatory Notes:

(a) Mr Chang Weng Leong, if re-elected, will remain as a member of the Company’s Audit Committee and Nominating Committee and will also continue to remain as Chairman of the Remuneration Committee. Mr Chang Weng Leong will be considered as an Independent Director of the Company.

(b) Ms Sharon Yeoh Kar Choo, if re-elected, will remain as a member of the Company's Audit Committee and Remuneration Committee and will also continue to remain as Chairman of the Nominating Committee. Ms Sharon Yeoh Kar Choo will be considered as an Independent Director of the Company.

(c) The ordinary resolution 7, under item 8 above, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the total number of issued shares excluding treasury shares in the capital of the Company, of which the aggregate number issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 15% of the total number of issued shares excluding treasury shares in the capital of the Company, as more particularly set out in the resolution.

Note:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

    (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

    (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

    (c) the Central Provident Fund (“**CPF**”) Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the office of the Company’s Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902, not less than 48 hours before the time set for the Annual General Meeting.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”); (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

Dear Shareholders

We realise that you may not be able to attend our forthcoming Annual General Meeting ("AGM") for some reason or other. As in the previous years, we have set up several channels to communicate with our investors and shareholders. All because we deeply value your feedback and input.

You may now channel your questions and feedback to us via the following methods:

- **By sending us an email through *investor@qianhu.com or feedback@qianhu.com***
- **By faxing us your feedback through 6766 3995**

We will look into all your questions and feedback and answer them during the AGM, provided that they reach us before 22 March 2017. A copy of the minutes of the AGM will be posted both on our website and on the SGX website.

Kenny Yap Kim Lee
Executive Chairman
and Managing Director
Qian Hu Corporation Limited

To facilitate your attendance at our Annual General Meeting (AGM) on **22 March 2017,** at **No. 71 Jalan Lekar, Singapore 698950 at 11.00 a.m.,** transport arrangements have been made available for you.

We have chartered a bus to ferry you from the **Choa Chu Kang Bus Interchange (next to Choa Chu Kang MRT Station)** to our meeting venue.

Please proceed to the **Choa Chu Kang Bus Interchange Berth B5.** The bus will leave at **10.40 a.m. sharp.**

Transport will also be provided back to the Choa Chu Kang Bus Interchange after the meeting.

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

PROXY FORM

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We ________________________________ NRIC/Passport/Co.Registration No. ____________________

of ____

being a member/members of **QIAN HU CORPORATION LIMITED** hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at No. 71 Jalan Lekar, Singapore 698950 on Wednesday, 22 March 2017 at 11.00 a.m. and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the AGM. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	For*	Against*
AS ORDINARY BUSINESS			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2	Re-election of Mr Andy Yap Ah Siong as director		
3	Re-election of Mr Chang Weng Leong as director		
4	Re-election of Ms Sharon Yeoh Kar Choo as director		
5	Approval of directors' fees		
6	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
7	Authority to issue shares		

* *Please indicate your vote "For" or "Against" with a "✓" within the boxes provided.*

Dated this ________________ day of ________________ 2017

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

Total Number of Shares Held

IMPORTANT
PLEASE READ NOTES OVERLEAF Notes:

Fold and seal here

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number. If you have shares registered in your name in the Register of Members, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the meeting. Relevant intermediary is either:
   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
   (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time set for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.
8. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy lodged if the member, being the appointer, is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time set for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 February 2017.

Fold and seal here

Affix
Postage
Stamp

M & C SERVICES PRIVATE LIMITED
Share Registrar for
Qian Hu Corporation Limited
112 Robinson Road
#05-01
Singapore 068902
Republic of Singapore

Fold and seal here

QIAN HU CORPORATION LIMITED
COMPANY REGISTRATION NO.: 199806124N

No. 71 Jalan Lekar Singapore 698950 • Tel: (65) 6766 7087 Fax: (65) 6766 3995 • www.qianhu.com