ADVANCING WITH AQUACULTURE

FOOD FOR THOUGHT

QIAN HU CORPORATION LIMITED
ANNUAL REPORT 2017

MISSION

By focusing on technology, innovation and quality, we aspire to be the world's most value-adding and productive provider of Edible Fish, Ornamental Fish and Aquarium / Pet Accessories.

VISION

1. To be the world's number 1 ornamental fish exporter.
2. To breed Ornamental 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 antibiotic-free, sustainable edible fish for the benefit of our consumers and the environment.

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Qian Hu has enjoyed a long-standing reputation of top-notch quality in the ornamental fish industry for over three decades. Particularly, we are renowned for our expertise in cutting-edge R&D, as well as proprietary fish feed and medication in the major markets where we operate.

It was precisely these past successes that led us on the path towards our new business stream of Aquaculture. Armed with the right technology and the right approach, we are on the cusp of an exciting new venture into an industry that holds immense prospects.

As the world starts to consume more and more sustainable and wholesome edible seafood, there will also be greater responsibilities for business to fulfil in terms of food safety and food health. These are areas of concern that undoubtedly will arise as food for thought in coming years.

Our Aquaculture Business

This year, we moved into a new business stream – Aquaculture – in a big way. After months of planning and preparation, we started to operate our pilot aquaculture farm in Wenchang, Hainan Province, China in early 2017.

Less than a year later in November, we set up another aquaculture farm in Hainan to commence the breeding and farming of shrimp. This farm will also export edible fish and seafood from Hainan to Southeast Asia, while importing other edible fish and seafood from the rest of the world into China.

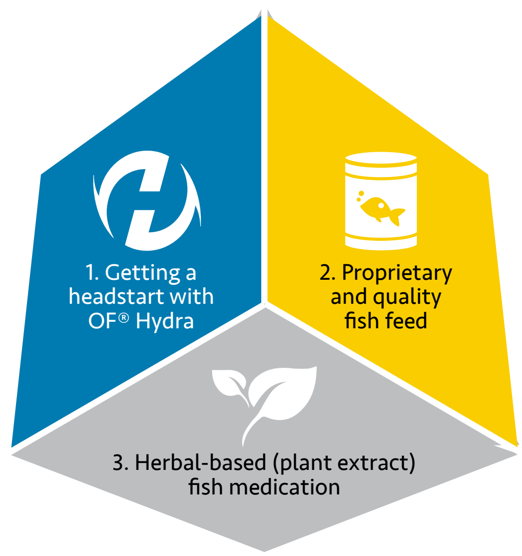
We chose Hainan Province because it is the hub of aquaculture in China today. Not only does it have a well-developed supporting industry in related products, but there is also nascent market demand. As such, we can effectively leverage the existing infrastructure and ready, established platforms such as buy-sell, logistics, and infrastructure.

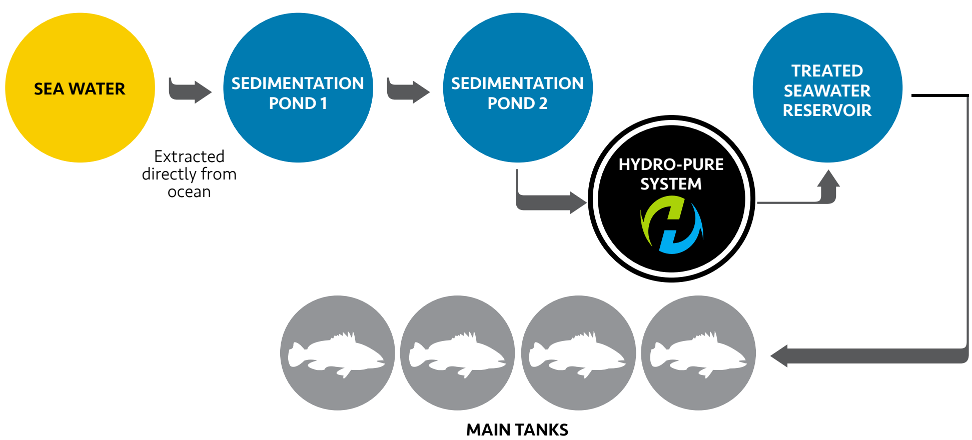
Our Differentiation

Our approach to aquaculture sets us apart from other players, and lies in three key elements:

Biologically clean water for fish and invertebrates, proven fish feed of the finest quality and herbal-based (plant extract) medication that is free of antibiotics. These three factors form the cornerstone of healthy, safe and responsible fish keeping.

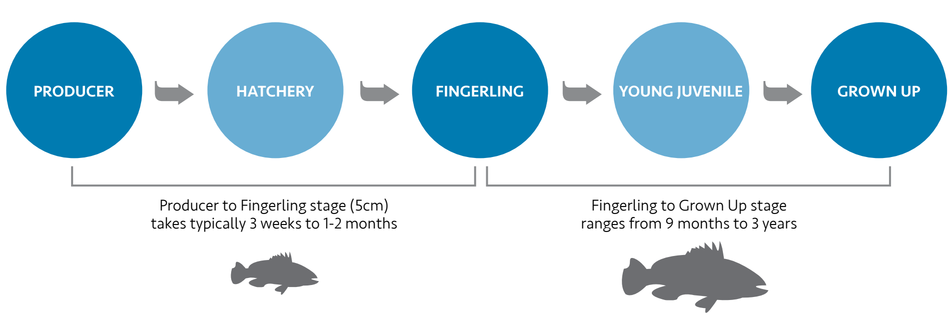
At Qian Hu's aquaculture farms in Hainan, we are equipped to meet all the requirements for a flourishing aquatic ecosystem with the right technology, the right products, and the right approach to fish health.





In the coming years, we plan to grow this business in a few areas:

1. Scale our business through partnerships and joint ventures.
2. Extend our value chain to include larval, nursery and grow-out culture.
3. Further improve our water quality by engineering a Recirculation Aquaculture System which will redirect the water through the tanks for continuous use.



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.

As an ancillary business, we manufacture plastic bags for our own use in the packing of ornamental fish for sale as well as other industrial uses.

In early 2017, we ventured into aquaculture with our pilot project in Wenchang, Hainan Province, China, to breed and farm antibiotic-free edible fish. In November 2017, we set up another aquaculture farm in Hainan to commence the breeding and farming of shrimp. This farm will also export edible fish and seafood from Hainan to Southeast Asia, while importing other edible fish and seafood from the rest of the world into China.

Listed on the Mainboard of the Singapore Exchange (SGX) 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.

ORNAMENTAL FISH

- Breeding of Dragon Fish, and farming, importing, exporting and distributing ornamental fish from all over the world
- One of the top exporters in the region for ornamental fish

Over
1,000
species and varieties of ornamental fish

ACCESSORIES

- Manufacture and export of aquarium and pet accessories
- Domestic distribution through hubs in Singapore, Malaysia, China and Thailand

More than
3,000
accessories products

PLASTICS

- Produces plastic bags which are supplied to third parties in the ornamental fish, food and electronics industries
- Owns & operates a plastics manufacturing facility in Singapore

35
years' experience in plastics since 1982

AQUACULTURE

- Differentiated approach to the farming of antibiotic-free edible fish with the right technology, the right nutrition, and the right approach to fish health and well-being
- Scalable business model with a successful edible fish farm and a second shrimp farm in the world's aquaculture hub, Hainan Province in China

8,000 m^2
in land area

STRENGTH

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

Operates across
5 markets and export hubs
across the world

Robust distribution network and strong partnerships with retailers across
80 key cities and countries

LEGACY

SGX

Incorporated in 1998
Listed in Singapore since
2000

551
employees
in 2017

INNOVATION

BRANDS

12 well-loved brands

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

Garnered
52 awards since 2001

Widely recognised for
best practices in corporate transparency and governance

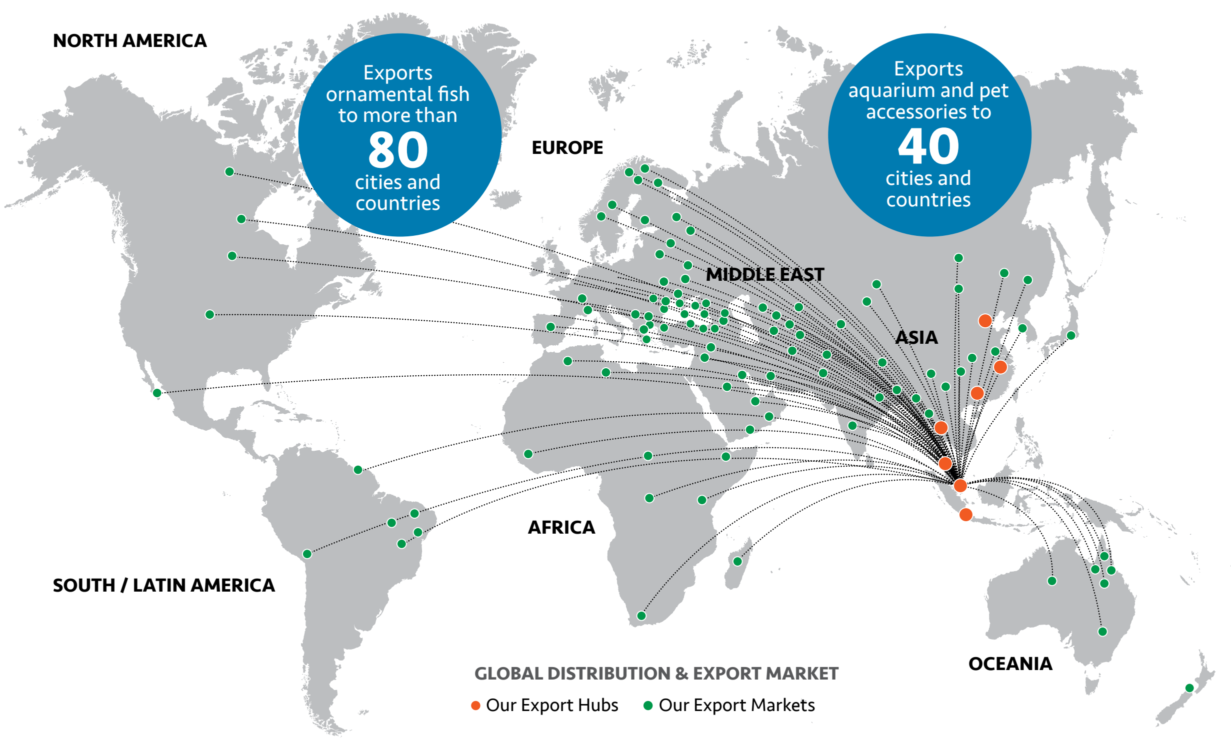
Garnered awards in Best Managed Board, Most Transparent Company, Chief Financial Officer of the Year, Best Investor Relations, Best Annual Report categories

Our Global Footprint

Our products and services serve major fish and pet accessories distributors and retailers around the world, and are also well received by members of the public.

With global distribution and 5 key export hubs across Asia in Singapore, Malaysia, China, Thailand and Indonesia, we make an effort to tap on local culture, knowledge and business best practices by hiring employees from local communities on the ground.

We believe this model enables us to better understand and anticipate our customers' needs.



28% of Group Revenue

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

56% 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

9% of Group Revenue

EUROPE
- Exporting from our five export hubs in Asia to major customers in Turkey, Russia, United Kingdom, France, Spain and the Netherlands

7% of Group Revenue

REST OF THE WORLD
- Growth in revenue contribution from the USA, Canada and Australia

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
Ling Kai Huat *(Chairman)*
Kenny Yap Kim Lee
Lai Chin Yee
Tan Tow Ee

COMPANY SECRETARY
Lai Chin Yee

REGISTERED OFFICE
No. 71 Jalan Lekar
Singapore 698950
Tel: (65) 6766 7087
Fax: (65) 6766 3995
Website: www.qianhu.com

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
Yeo Lik Khim
(Appointed in Financial Year 2017)

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

Letter from the Chairman

Dear bosses,

What an exciting year it has been for us at Qian Hu as we witnessed several new exciting developments in our corporate journey! Ever since we set our sights on our long-term growth strategy a few years ago, we have been working hard to strengthen our foundation whilst honing our technological edge at the same time. This year, we are excited to be able to share with you the results of our hard work and perseverance as we achieved several notable milestones.

ADVANCING WITH AQUACULTURE

As we close the financial year, it was heartening to see that our performance improved all-round and in every business segment. Indeed, we have worked hard to transform ourselves to keep pace with the changing economy, and a case in point is our new aquaculture business which we started in 2016.

From the experience we had amassed over the years in breeding ornamental fish, we knew that we needed a few key ingredients to ensure we had the ideal product mix – the right technology, the right nutrition in the form of healthy fish feed, as well as the right approach to medication using herbal-based antibiotic-free ingredients. Importantly, we also had the right team of subject experts to ensure that we carry through successfully with our plans.

With these in mind, we set out on our pilot aquaculture project in Hainan Province, China back in 2016 which has been operational since early 2017. We are happy to report that the project is now well underway and we have been consistently delivering grouper fingerlings in the Hainan region. Less than a year later in November 2017, we set up another aquaculture farm in Hainan to commence the breeding and farming of shrimp and the import and export of edible fish and other seafood products.

We are moving fast on these plans as we expect this business division to contribute positively to our Group's results in FY 2018, and we are very optimistic about the prospects of our aquaculture business. In fact, in the next few years, we aim to excel in the sustainable farming of edible fish for the China consumer market so as to build out this business to be many times bigger than our existing businesses.

To achieve our goals, we have bold plans in place and we intend to focus on executing these plans successfully. We refer to our aquaculture growth strategy as the "Triple E" strategy as we look to scale this business substantially in the next few years – namely, to Engineer, Extend and Explore.

On the engineering front, we are looking to replicate our unique RAS (Recirculation Aquaculture System) that can recirculate our water use. When completed, the RAS will redirect the water through the tanks for continuous use, and will definitely improve our water quality many times over. This system will also reduce our environmental footprint by significantly reducing the amount of water we would potentially use otherwise.

Next, we intend to further extend our aquaculture value chain to include not just breeding, but also larval, nursery and grow-out culture. With the planned breeding and cultivation of edible fish from the fingerling stage all the way through to the adult stage, this will mean more opportunities for us to capture additional selling points throughout the product cycle. As we build out our product offerings in the aquaculture entire value chain, we can also safely ensure that we provide a healthy, end-to-end, product for consumers by doing so.

Looking at our aquaculture pipeline further down the road, we also have plans to utilize our existing experience and put it to the best use. Leveraging what we have learnt from our successful pilot project, we will look at ways to develop potential partnerships and joint ventures with like-minded associates to mutually build on our aquaculture capabilities. Our technology, feed and medication can be applied anywhere in the world, and we are confident of what we can offer.

The production of edible fish on a global scale is expected to continue to expand, and is touted to grow continuously over the next decade. Of this, countries in Southeast Asia are slated to be the main producers, representing approximately 89%[1] of total production by 2025. This definitely bodes well for Qian Hu as our major export hubs are already covering the majority of the Southeast Asian arteries.

At the local country level, the growth prospects for aquaculture are also very promising for China, which is slated to account for 62%[2] of world aquaculture output by the same period. With our business based in the aquaculture hub of Hainan Province, China, we believe we are in the right place at the right time to capitalize on opportunities for growth.

ADVANCING TOWARDS A SUSTAINABLE FUTURE

Since our public listing in 2000, we are very proud to have built Qian Hu to be a legacy brand that is renowned for our leadership in the aquatic industry.

Our relationships with our customers and suppliers enjoy longevity and good health, having been built over many years and coupled with our lasting commitment to their needs. Our brands and products also enjoy good standing in the markets where we operate as a result of our ethos to evolve with the times and upkeep our product quality. Our lease at the Singapore fish farm will see a long-term tenure until year 2026, which enables us to plan purposefully towards the future.

Even as we continue to make progress on all our business fronts, we also want to do our part for the well-being of our environment. As a heritage brand that is here for the long-term, we hope to be able to leave a lasting legacy while taking an active stance in addressing our environmental challenges. As an organization, we are always looking at new ways to embed sustainable practices across our business operations so as to minimize our environmental tracks.

Sustainability is not something new to us even though this is the first financial year where mandatory reporting is required – Qian Hu started reporting on sustainability issues since as early as 2011, and we have already made strides in various areas which impact our environment as we conduct our operations. This year, we have reported on our key sustainability issues in reference to the GRI-G4 standards, which details our initiatives in this area.

LOOKING AHEAD

We intend to focus our efforts on doing what we do best in the coming years, and that means that we will continue to focus on innovation to expand our pipeline of compelling products particularly in the areas of filtration, fish nutrition and genetic breeding of unique Dragon Fish.

Meanwhile, our exciting new aquaculture business is progressing on track, and we expect that this business is going to keep us very busy for the next few years. With our "Triple E" strategy – "Engineer, Extend and Explore" – and expansion plans to scale the business, we will set our sights on delivering what we have set out to achieve on this front.

To our Board, all of our bosses, partners, customers, and employees – I would like to thank you for your unwavering support and belief in our journey, and see you soon at our Annual General Meeting.

KENNY THE FISH
Executive Chairman & Managing Director

[1] *The World Bank: "FISH TO 2030: Prospects for Fisheries and Aquaculture", Dec 2013.*
[2] *Food & Agriculture Organization of the United Nations: "The State of World Fisheries and Aquaculture", 2016.*

主席的话

各位老板们：

2017年我们很欣慰的见证了仟湖迈入一个新的发展里程碑。我们于几年前开始制定了长期发展战略，一直努力地巩固仟湖的基础与不断地提升我们的技术优势。今年，我们很高兴能与大家分享在我们坚持不懈的努力下，为仟湖开启的新篇章。

推进水产养殖发展蓝图

集团的各项业务在2017年里都有所提升。让我们感到鼓舞。我们不断努力地改进以应变不断改变中的经济环境。我们在2016年开创的水产养殖业便是个很好的例子。

仟湖在培育观赏鱼方面累积了丰厚的经验。我们知道营造理想的养殖组合关键在于拥有正确的技术、鱼饲料含有的营养成分，以及使用草药调配无抗生素的饲养方法。更重要的是，我们有一支经验丰富的专家执行团队。

我们于2016年在中国海南省开启了养殖无抗生素食用鱼的水产养殖试验项目已在2017年初开始运营。项目开展至今，已经成功为海南地区提供无抗生素的石斑鱼苗。集团更于2017年11月在海南开设第二个养殖场从事小虾养殖及食用鱼和其他海鲜产品的进出口业务。

我们预计水产养殖业务在2018财政年会开始取得盈利。我们对新的水产养殖业务的前景非常有信心。在未来几年，我们打算针对中国市场进一步拓展养殖食用鱼类的计划，并将该业务打造成仟湖现有业务规模的数倍。

为了实现设定的目标，我们经已制定了方针并会集中精力全力执行。水产养殖业务的发展策略定为“三E”策略，则是“开发”(Engineer)、“伸展”(Extend)及“探索”(Explore)，并致力在未来几年内大幅扩大该务的规模。

在开发层面，我们会复制独有的养殖循环水过滤系统(“Recirculation Aquaculture System”或简称“RAS”)，用于水产养殖的水过滤系统。完成后，该系统将能够把水重新导回水箱循环使用。崭新的RAS系统在改善我们的水质的同时也能有效地减少水的用量，让我们为环保尽一份力。

我们接着会进一步伸展我们的水产养殖价值链。除了阶段性养殖，发展蓝图还包括幼虫、育苗及涉足食用鱼养殖的各个阶段——这意味着仟湖将能够参与食用鱼养殖的每个阶段所赋于的商机。也因此我们更可以确保消费者能够购买到安全、健康的优良产品。

不仅如此，我们也将会充分发挥我们在养殖观赏鱼所累积的经验——借助在成功的试验项目中所学到的知识，我们会探讨如何寻求合作关系或成立合资企业，以便强化仟湖的水产养殖能力。我们独创的技术、饲料和药物可以应用于任何地区，我们对自己的产品线非常具有信心。

根据世界银行的调查显示，目前全球的食用鱼的产量有逐渐提高的趋势，并在未来十年会不断增长。其中，东南亚的产量将占2025年总产量的89%，成为主要生产国。这对已在东南亚的主要市场设立出口中心的仟湖来说是绝对有利的。

谈到个别国家的潜能，我们非常看好中国水产养殖的前景。联合国粮食及农业组织预计中国的水产产量将占2025年世界总产量的62%。我们坚信，设立于海南省的仟湖水产养殖业务将有助我们捉住不断成长中的中国市场。

迈向可持续的未来

自2000上市以来，我们非常自豪地将仟湖建立成为在水族行业中具有实力的知名品牌。

多年来，仟湖与客户和供应商一直保持着良好的的关系。仟湖旗下的品牌和产品与时俱进、维护高产品质量，在市场上也享有良好的口碑及名声，标榜着仟湖对客户们的承诺。我们在新加坡的鱼场租约已获延续至2026年，使得我们有足够的时间施展所定下的发展计划。

在不断努力使所有业务都能取得增长的同时，仟湖也要为优化环境尽一份力量。作为一个传统品牌，我们不仅要让仟湖传承下去，更必须坦然应对环境的挑战。身为一个企业，我们一直在寻找新的方法，将可持续的做事方法实践融入到我们的业务里头，以尽量减少我们的对环境造成的影响。

可持续性对仟湖来说不是什么新鲜事。虽然从2017财政年起，所有上市企业必须发布可持续报告，仟湖已经从2011年便开始骤步将可持续的事项纳入我们的年报里。今年我们的可持续性报告更参照了全球报告倡议组织(Global Reporting Initiative, GRI)的《可持续发展指南4.0版本》(G4)编写。

展望未来

我们会集中精力发挥所长，将继续致力于创新，以扩大我们的产品线，特别是在过滤器、营养鱼饲料和独特龙鱼培育等领域。

与此同时，我们很兴奋的看到崭新的水产养殖业务正在如期的发展，也预计这项业务这几年会令我们非常忙碌。有了设定的“三E”战略(开发，伸展，探索)和扩大业务规模的计划，我们将把目光投向设好的目标全力以赴。

非常感谢我们的董事们、所有的老板们、合作伙伴、客户和全体员工。感谢你们对仟湖一路走来的绝对支持 。期待在常年股东大会上与大家会面。

叶金利
执行主席兼总裁

Group Structure

DIVISIONS

Qian Hu Fish Farm Trading
Yi Hu Fish Farm Trading
Wan Hu Fish Farm Trading

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

60%
Tian Tian Fisheries (Hainan) Co., Ltd
Bao Shi Village
Hui Wen Town
Wen Chang City
Hainan, China

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

Board of Directors

KENNY YAP KIM LEE, 52

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	19 years (as at 31 December 2017)

Served on the following Board Committees

• Executive Management 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, 52

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	19 years (as at 31 December 2017)

Served on the following Board Committees

• Executive 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
- 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, 51
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	22 March 2017
Length of services as director	19 years (as at 31 December 2017)

Served on the following Board Committees
- Executive 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
- Oversees the Group's ornamental fish and aquaculture operations

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

LAI CHIN YEE, 52
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	13 years (as at 31 December 2017)

Served on the following Board Committees
- Executive Management 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 (Companies with less than $300 million in market capitalisation) — 2009

Board of Directors

TAN TOW EE, 55
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	15 years (as at 31 December 2017)

Served on the following Board Committees

• Audit Committee	Chairman
• Risk Management Committe	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
- Manages private funds and provides consultancy services
- More than 15 years working with international corporations as investment manager

CHANG WENG LEONG, 55
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	22 March 2017
Length of services as director	17 years (as at 31 December 2017)

Served on the following Board Committees

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

Present Directorships in other listed companiess
- 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, 59

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Member of the Chartered Secretaries Institute of Singapore (CSIS)

Date of first appointment as director	17 September 2011
Date of last re- appointment as director	22 March 2017
Length of services as director	6 years (as at 31 December 2017)

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)s)
- 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, 69

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	2 years (as at 31 December 2017)

Served on the following Board Committees

• Risk Management Committe	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
- 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 serves 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 and aquaculture 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.

2017 In Review

Kickstarting our Aquaculture Venture

We have kickstarted the farming of antibiotic-free edible fish in Hainan Province, China in early 2017 with a joint venture partner. Qian Hu owns 51% while our partner owns the other 49% of the business.

As our pilot edible fish farm which was built specifically to showcase our capabilities, Qian Hu Hainan is equipped with our custom-built OF Hydra flow-through system and powered by Hydro-Pure Technology. Using a threefold-filtration system, sea water is extracted directly from the ocean and filtered through two separate sedimentation ponds before reaching the main treated seawater reservoir. This ensures safe and stable levels of ammonia and nitrates acceptable for our fingerlings.

Aside from water quality, we are well aware that feed and medication are the other critical success factors for fish health. Our own proprietary fish feed formula is free of antibiotics, harmful chemicals and preservatives and comes with the assurance of zero chemical contamination.

Our all-natural medical solution is a result of extensive studies of the use of herbal-based (plant extract) fish medication, and as such together with our joint venture business partner, we breed various species of some of the healthiest grouper fingerlings in the market in a responsible manner. These range from humpback groupers, to hybrid giant groupers and coral trout.

In November 2017, we set up our second aquaculture farm in Hainan to commence the breeding and farming of shrimp. 60% owned by Qian Hu and 40% owned by another business partner, this farm will also export edible fish and seafood from Hainan to Southeast Asia, while importing other edible fish and seafood from the rest of the world into China.

With the right infrastructure in place, our aquaculture farms are designed to yield healthy and wholesome varieties of edible grouper fish and shrimp that are antibiotic free, primarily for the China market. The wider aquaculture industry is also set for growth amidst positive prospects, and we plan to focus on expanding this business segment substantially in the coming years ahead.

QIAN HU HAINAN

4,000 m^2
land area

104
cement holding tank capacity

16.5 - years
lease from 2017

Stage of fish:
Fingerling

TIAN TIAN FISHERIES HAINAN

4,000 m^2
land area

Stage of shrimp:
Full grown

Import and export
of edible fish and other seafood products

2017 In Review

Breeding of New Ornamental Fish

2017 was a challenging year for ornamental fish market. Overall demand for ornamental fish remained weak and at the same time, we faced the issue of a shortage in terms of supply. These two factors affected the performance of this segment in the last year.

Breeding is a fundamental process, and we have been working on integrating closer with this process to strengthen our position in the value chain. Having just completed our trials in this area, we are still strengthening our breeding production process. When this is completed, we believe this will also help us regulate our supply of ornamental fish on a more consistent basis.

In the meantime, we have ventured into the seafood trans-shipping business in Singapore, which involves providing a service for live seafood to be trans-shipped in Singapore to countries in the region. As a result of certain flight connection timings and shipping duration, shippers who need to transit their cargo and repack their seafood shipments in Singapore can look to us to provide safe and reliable live seafood trans-shipping services.

Showcasing our New Products

In 2017, we continued our innovation drive with new products launched in the accessories segment.

This year, we have launched new large-scale OF Panoramic Tanks for Arowanas in China, which garnered its name through its seamless appearance as a result of concealed piping within the tank.

Our OF Panoramic Tanks can also now be tailor-made to even larger-scale designs and specifications as we move up the value chain to meet consumers' needs.

Under the OF brand, several new lighting accessories were also introduced during the year, as well as the Activa Block, an activated charcoal block which helps to absorb harmful toxins within tanks.

Our team has also developed a new series of natural rock and sand – Bacto Rocks and Bacto Sand under the RevoReef 3DM series – for freshwater use.

As 3DM products are harvested from natural materials, we believe that this range will enable fish keepers to minimize their impact on our environment without having to remove rocks from our rivers and oceans, which inadvertently impacts the natural ecosystem.

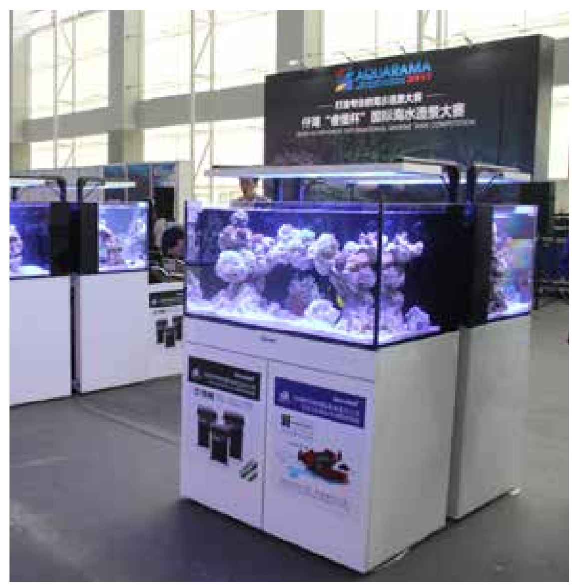
- **OF Panoramic Tank**
- **OF Supreme Arowana Colour enhancement LED lightset**
- **Aqua Zonic Spectra Miracle LED lightset**
- **Aqua Zonic Spectra Reef and Spectra Planted LED lightset**
- **OF BT-G1 Pro-Betta Fish Feed**
- **OF Stingray Detox Fluid**
- **OF POTA Professional Stingray Medication Series**
- **RevoReef 3DM Bacto Rocks**
- **RevoReef 3DM Bacto Sand**
- **Aqua Zonic Sumo Amphibious Pump**

2017 In Review

Our Marketing Efforts

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

- **AQUARAMA** in Guangzhou, China
- **China International Pets Show** in Shanghai, China
- **17th South China Koi Show** and **6th Dongguan Koi Show** in Guangzhou, China
- **Pet Fiesta Show** in Malaysia



Market Updates

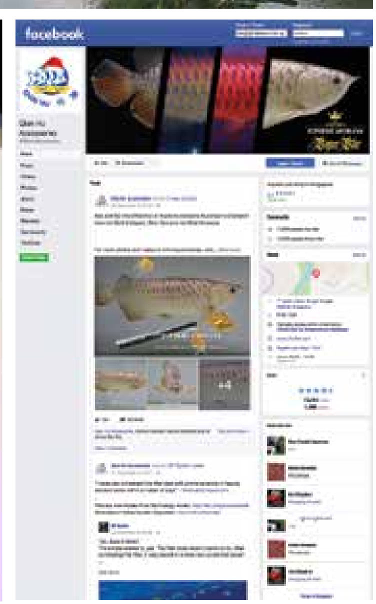
Singapore

In 2017, our new Hydra Filtron Canister Filters saw very healthy sales in Europe and Asia, and we continued to experience healthy year-on-year growth in this area.

This year, we introduced a host of new aquarium accessories products under the OF Ocean Free range, including the Hydra Prime, RevoReef 3DM Bacto Rock and Bacto Sand, Supreme Arowana LED, Activa Block and BT-G1 Pro-Betta Feed. In addition, we have also launched a new range of Aqua Zonic products such as the Spartan DC Pump, Spectra Miracle, Spectra Reef, Spectra Planted, and the T5 LED.

In our region, we have also witnessed an increase in demand for pet products due to the growing number of pet owners, as well as Arowana-related products due to growing number of Arowana owners around the world.

As a result, we have strengthened our online presence with our new dedicated accessories website www.yihufish.com, and we strive to provide more information-rich content on our Facebook page, www.yihufish.com/qianhuaccessories to ensure that we connect and engage actively with our audiences through the right channels.



Market Updates

Malaysia

The rising demand for aquarium and pet accessories in Malaysia has buoyed our market this year, with our live fish segment's local business and export businesses growing at steady rates.

We have also introduced many new products this year in Malaysia, including OF Hydra Filtron and Supreme Arowana Colour Enhancement LED, as well as Aqua Zonic products including the Primal 9000, Amphi Pump, Vormax Water Pump and Spectra Miracle LED.

This year, we obtained the Halal certification for our range of cat products from Jabatan Kemajuan Islam Malaysian (JAKIM), the Malaysian Halal Certification Body.

During the year, we also achieved a new milestone for our market by breaking into the e-commerce platform with our first online shop on the Lazada Malaysia platform. With positive response so far, we are looking at other platforms such as 11street & Shopee in the coming year.

China

This year, online sales continued to increase for the China market, and contributed a healthy 25% of our total turnover. At the same time, sales of our tanks also saw a healthy uptrend, and we managed to grow sales by 35%.

Our innovative Arowana pallet feed is also one of the most recognized high end Arowana feed in the Taobao online marketplace, and as such, we managed to grow the sales by more than 50%. At the close of FY 2017, we have amassed a total of 137 authorized retailers and 20 authorized internet retailers serving the China market.

During the year, we unveiled various new accessories in China. Under the OF series, we launched the POTA Professional Stingray Medication Series, Arowana Submersible Led Lighting Sets, Arowana Tank-M Series, and the Hydra Prime Water Purification System.

In the Aqua Zonic family, we introduced the Titan Heavy-Duty Aquarium Heater- G3, Aqua Zonic Razor DC Inverter Pump, Mini submersible UV-C Lamp and Submersible UV-C Lamp G2.

This year, we are seeing a rising trend for more customized fish tanks for higher income families who are looking for a centerpiece for their new homes. These families are looking for fish tanks of different styles and designs that can be customized to complement their home design concepts. At the same time, we have observed that middle-class families are looking for small to mid-sized fish tanks to accommodate their homes that typically range from 80m^2 to 120m^2.

In FY 2017, we managed to more than double our order quantity for customized tanks as compared to FY 2016. With the robust growth we have experienced in this business, we plan to make more headway into this area in the coming year.

Market Updates

Thailand

In FY 2017, we saw the strongest sales from our Southern provinces. This year, we have been working hard on our new fish farm in Thailand situated at Ratburi Province set up in late 2016 as a breeding and rearing facility for new species of fish.

We have expanded our farm facilities to include glass tanks, concrete ponds, PVC nurseries, and polyethylene ponds amongst others. To date, we are breeding Parrot Goldfish, Demasonii Cichlids, Semaprochilodus, Neon Cichlids and Angel Fish at the farm.

On the accessories end, we have launched various new products across our pet product categories. For cats, we have introduced metal cages, plant-based litter, litter trays and various other accessories. In terms of dog products, we have launched plastic dog carriers, cages and houses. Also, we have increased our product range for rabbits with new cages and accessories.

Moving forward, we see that the pet accessories market in Thailand will continue its promising growth, and as such, we plan to continue to expand our product range for cat and dog-related accessories.

Indonesia

The Indonesian government is targeting for the country to become the world's largest exporter of ornamental fish by 2021. In line with its plans, the authorities have laid the roadmap to achieve this through creating a favourable business climate around the ornamental fish export industry, as well through the RAN (Rencana Aksi Nasional) National Action Plan.

Under this plan, the country hosts international exhibition featuring fish displays, contests, as well as symposiums. This year, PT Qian Hu Indonesia participated as one of the Nusatic exhibitors with various objectives in mind: raise awareness of the company within the Indonesian ornamental fish business and market, seek new approved suppliers, look for local and overseas prospective customers, and evaluate the ornamental fish market.

In Indonesia, luohan, arowana, discus, goldfish and betta are still the most popular ornamental fish species to date. One of the new trends in 2017 involves the increasing demand for the guppy fish (poecilia reticulata) with its diverse types of new crosscut breeds. This year, we saw that the market demand for betta also grew with the increasing variety of new breeds. In addition, the black ghost knifefish (Apteronotus albifrons) was another key fish species for which demand was quite stable throughout the year.

In 2018, we are looking to explore new types of invertebrates for the export market, such as the original purple crab bogor, a type of small freshwater or terrestrial crabs. As well, we are looking to concentrate our efforts on our most popular fish – botia or clown loaches, Kalimantan tiger fish, and Kuhli loaches.

Five-Year Financial Highlights

	2017	2016	2015	2014	2013
For the year ($'000)					
Revenue	87,824	80,470	77,970	83,526	83,462
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	3,092	2,208	2,508	2,922	3,431
Loss on disposal of an associate	(46)	-	-	(134)	-
Profit (Loss) before tax	761	(10)	549	1,098	954
Net Profit attributable to owners of the Company	329	68	19	392	302
Operating Cashflow	6,725	3,076	1,538	3,948	3,675
Capital Expenditure	2,575	2,296	1,867	2,061	1,969
At year end ($'000)					
Total Assets	81,634	77,663	75,817	76,688	75,887
Total Liabilities	29,999	27,169	25,509	25,635	24,892
Shareholders' Funds	48,918	48,545	48,673	49,548	49,509
Net Current Assets	18,973	22,194	33,786	33,390	32,358
Cash and Cash Equivalents	11,124	8,723	7,772	8,557	6,712
Key financial ratios					
Revenue growth (%)	9.1%	3.2%	(6.7%)	0.1%	(1.2%)
Net Profit growth (%)	383.8%	257.9%	(95.2%)	29.8%	103.3%
Net Profit margin (%)	0.6%	0.4%	0.3%	1.0%	0.7%
Debt-to-equity ratio (times)	0.58	0.54	0.51	0.50	0.49
Return on Shareholders' Funds (%)	0.7%	0.1%	0.0%	0.8%	0.6%
Return on Total Assets (%)	0.4%	0.1%	0.0%	0.5%	0.4%
Per share information (cents)					
Earnings per share	0.29	0.06	0.02	0.35	0.27
Net Assets per share	45.48	44.48	44.31	44.97	44.92
Cash per share	9.80	7.68	6.85	7.54	5.91
Dividend per share - ordinary	0.20	-	0.20	0.10*	0.10*
- special	-	-	-	-	0.50
Market capitalisation ($'million)					
At close of business on the first trading day after the announcement of audited results	25.0	13.85	18.05	38.60	39.05

* *before share consolidation in August 2015*

Value-Added Statement

($'000)	2017	2016
Revenue earned	87,824	80,470
less : Purchase of goods	(69,156)	(64,089)
Gross value-added from operations	18,668	16,381
Other income	119	301
Exchange loss	(245)	(15)
Share of losses of associate	(10)	(30)
Total value-added	18,532	16,637
Distribution :		
To employees in salaries and other related costs	14,500	13,822
To government in corporate and other taxes	634	91
To providers of capital :		
- Interest paid on borrowings from financial institutions	387	339
Retained for re-investment and future growth		
- Depreciation and amortisation	1,895	1,858
- Accumulated profits	329	68
- Non-controlling interests	220	254
Non-production cost and income :		
- Bad trade receivables and allowance for doubtful trade receivables	623	222
- Write back of allowance for inventory obsolescence	(56)	(17)
Total distribution	18,532	16,637

PRODUCTIVITY DATA

	2017	2016
Number of employees	551	550
Value added per employee ($'000)	34	30
Value added per $ of employment cost	1.28	1.20
Value added per $ sales	0.21	0.21
Value added per $ of investment in property, plant and equipment	0.45	0.44

Financial Review

Statement of Profit or Loss

REVENUE – Increased by approximately $7.3 million or 9.1% mainly due to increase in revenue contribution from core business segments - Ornamental Fish and Accessories.

Ornamental Fish export to more customers and more countries around the world from the Group's export hubs in Singapore, Malaysia, Thailand and Indonesia, coupled with revenue contribution from the new aquaculture business, 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 $2.5 million or 10.6% mainly due to upturn in revenue contribution as a result of enhanced business activities as mentioned above.

OTHER INCOME – Decreased by $0.2 million or 60.5% as there was no rental income received on the investment property in FY 2017.

PROFIT (LOSS) BEFORE TAX – The overall retrieval in the Group's profitability in FY 2017 was mainly due to higher revenue and profit contribution from all its business segments during the financial year, notwithstanding the escalation in operating expenses due to higher personnel expenses as a result of the increase in headcount and annual salary revision, higher allowance made for trade receivables, as well as the broad-spectrum increase in operating costs as a result of elevated inflationary pressure.

TAX (EXPENSE) CREDIT – The effective tax rate registered in FY 2017 were higher than the amount obtained by applying the statutory tax rate of 17% on profit before tax mainly due to losses incurred by some entities which cannot be offset against profits earned by other companies within the Group and the varying statutory tax rates of the different countries in which the Group operates. In addition, there were higher profit contribution from entities with a higher tax rate.

Tax credit in FY 2016 was a result of the reversal of tax expense overprovided in respect of prior years.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY – Improved significantly as a result of revenue growth and better margins from operating activities. Net profit margin improved from 0.4% to 0.6%.

	2017 $'000	2016 $'000	Change %
Revenue			
- Ornamental Fish	35,168	31,678	11.0
- Accessories	40,936	37,649	8.7
- Plastics	11,720	11,143	5.2
Total revenue	**87,824**	**80,470**	**9.1**
Less : Cost of sales	(61,567)	(56,731)	8.5
Gross profit	**26,257**	**23,739**	**10.6**
Add : Other income	119	301	(60.5)
Less : Operating expenses	(25,605)	(24,020)	6.6
Operating profit	771	20	NM
Add : Share of losses of associate	(10)	(30)	(66.7)
Profit (Loss) before tax	**761**	**(10)**	**NM**
Less : Tax (expense) credit	(212)	332	163.9
Profit for the year	**549**	**322**	**70.5**
Profit attributable to:			
Owners of the Company	**329**	**68**	**383.8**
Non-controlling interests	220	254	(13.4)
Profit for the year	**549**	**322**	**70.5**

Statement of Financial Position

TOTAL ASSETS – Increased by $4.0 million as at 31 December 2017.

Increase in property, plant & equipment (net of depreciation) was mainly related to capital expenditure incurred in relation to the new breeding farms located in the Hainan Province (China) and Thailand as well as on-going improvements to the infrastructure of the Singapore and other overseas farm facilities.

Increase in intangible assets was due to the acquisition of trademarks and formulation rights of a product.

Increase in brooder stocks was related to brooder stocks transferred to the Group as partial settlement of the outstanding amounts 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.

Increase in cash and cash equivalents due to higher profit generated, as well as the ability to better manage cash flow by extending credit terms with regular suppliers for purchases made.

TOTAL LIABILITIES – Increased by $2.8 million as at 31 December 2017 mainly due to increase in non-trade payables in relation to the acquisition of trademarks and formulation rights of a product and the increase in loans and borrowings.

SHAREHOLDERS' FUNDS – Increased by $0.4 million as at 31 December 2017 mainly attributed to profit attributable to owners of the Company for the financial year.

NON-CONTROLLING INTERESTS – Increased by $0.8 million as at 31 December 2017 due to profit contribution from the non-wholly owned subsidiaries during the financial year.

	2017 $'000	2016 $'000	Change %
Total assets	**81,634**	**77,663**	**5.1**
- Property, plant and equipment	9,599	8,750	9.7
- Investment property	1,586	1,586	-
- Intangible assets	3,351	889	276.9
- Brooder stocks	9,382	8,180	14.7
- Inventories (including breeder stocks)	15,681	15,520	1.0
- Trade and other receivables	30,911	32,889	(6.0)
- Cash and cash equivalents	11,124	8,723	27.5
Total liabilities	**29,999**	**27,169**	**10.4**
- Trade and other payables	13,337	11,243	18.6
- Tax liabilities	377	357	5.6
- Loans and borrowings	16,285	15,569	4.6
Total equity attributable to owners of the Company	**48,919**	**48,545**	**0.8**
Total non-controlling interests	**2,716**	**1,949**	**39.4**

Financial Review

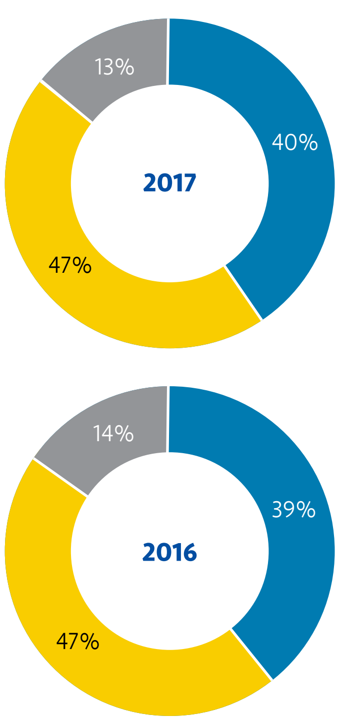
Business Segment Performance

Qian Hu Group has its main presence in five countries, namely, Singapore, Malaysia, Thailand, Indonesia and China, which consists of fifteen subsidiaries (collectively known as the "Group") as at 31 December 2017.

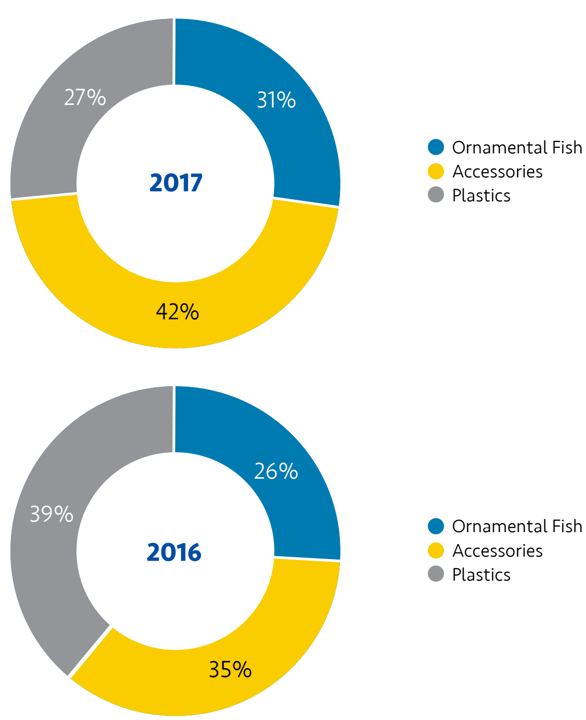
The Group has three main business activities - Ornamental Fish, Accessories and Plastics. For the financial year ended 31 December 2017, the Group recorded revenue of $87.8 million, of which approximately 87% was contributed by the core businesses (Ornamental Fish and Accessories), while Plastics contributed the remaining 13%. The Accessories business accounted for 42% the Group's operating profit compared to 31% from Ornamental Fish and 27% by Plastics.

	Ornamental Fish	Accessories	Plastics	Others	Total
FY 2017					
Revenue	35,168	40,936	11,720	–	87,824
Profit (loss) before tax	1,087	1,435	959	(2,720)	761
FY 2016					
Revenue	31,678	37,649	11,143	–	80,470
Profit (loss) before tax	555	764	851	(2,180)	(10)

REVENUE



PROFITABILITY

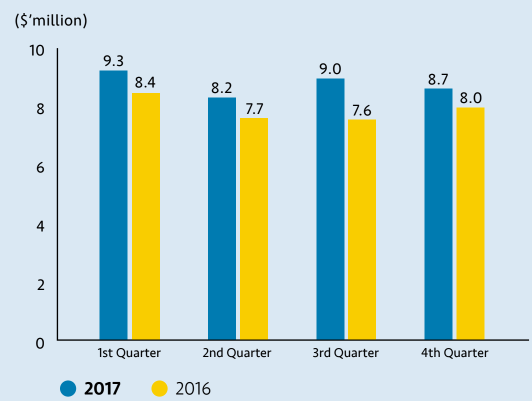


ORNAMENTAL FISH

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.

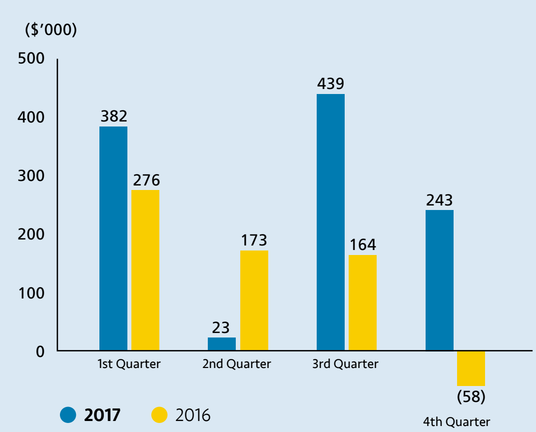
REVENUE

Dragon Fish sales continue to grow in tandem with the other ornamental fish revenue in FY 2017. The Group has since strived to gradually 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. Coupled with the sales generated from the newly incorporated subsidiary in the Hainan Province (China), which farms antibiotic-free edible fish, the Group saw a boost in revenue contribution during the financial year from this business segment.



PROFITABILITY

The higher revenue contribution from the Ornamental Fish business registered in FY 2017, coupled with the difference in sales mix, and the reliance and resilient of the ornamental fish export business, has continued to generate respectable profit for the Group.



Financial Review

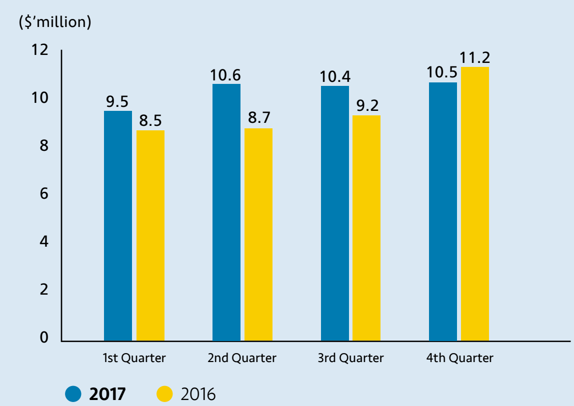
ACCESSORIES

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.

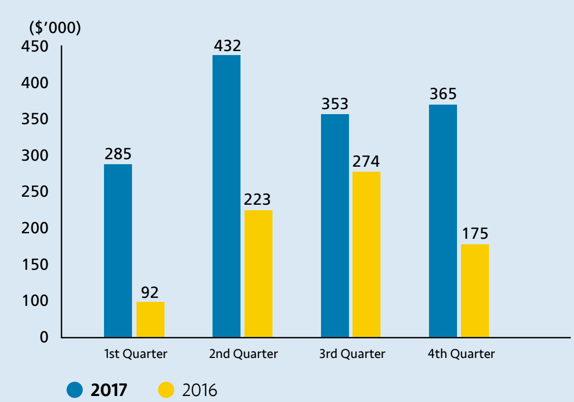
REVENUE

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 2017 was higher than that of FY 2016.



PROFITABILITY

The considerable profit yielded from the Accessories business was in accordance with the stable increase in its revenue contribution, as well as the sale of more of the Group's proprietary brand of innovative products with better profit margins.

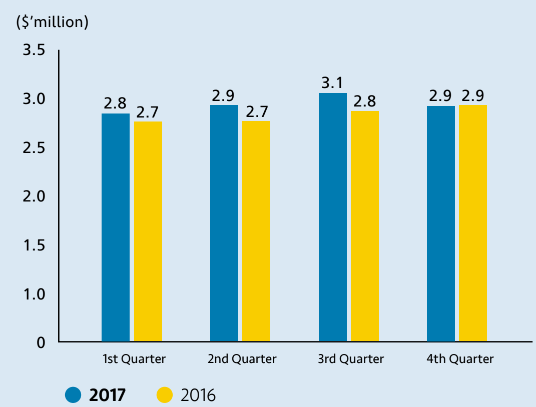


PLASTICS

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.

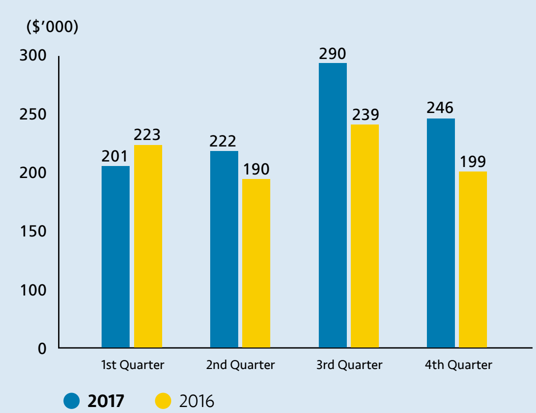
REVENUE

Revenue from Plastics activities continued its growth momentum in FY 2017. With the enlarged customer base and the sales of more varieties of plastic products, the revenue contribution from this business segment managed to register a steady increase during the financial year.



PROFITABILITY

With a relatively higher revenue registered by the Plastic business, coupled with the improved profit margins as a result of the favourable raw material prices, it had given rise to the improvement in profit contribution throughout the financial year.

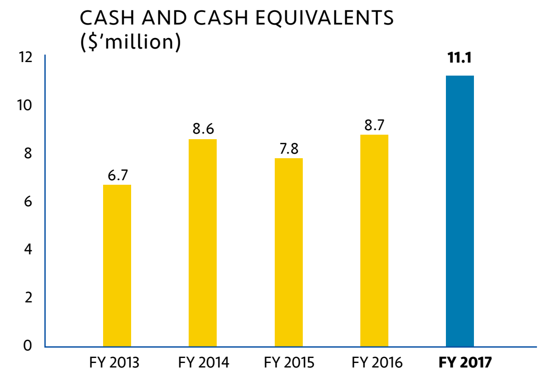


Financial Review

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 equivalent 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 2017, 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 $15.8 million was utilised.



CASH AND CASH EQUIVALENTS

Overall, the Group's cash and cash equivalents increased by approximately $2.4 million in FY 2017 to $11.1 million as compared to approximately $8.7 million a year ago.

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

The improvement in **net cash from operating activities** for the year ended 31 December 2017 as compared to FY 2016 was mainly due to higher profit generated during the financial year 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 capital expenditure incurred in relation to the new breeding farms located in the Hainan Province (China) and Thailand, as well as on-going improvements to the infrastructure of the Singapore and other overseas farm facilities. In addition, there was $2.5 million incurred in relation to the acquisition of the trademarks and formulation rights of a product in FY 2017.

Net cash from financing activities in FY 2017 was related to cash proceeds received from additional drawdown of bank term loans, as well as capital contribution received from the non-controlling shareholder of a newly incorporated subsidiary, which were partially utilised for the payment of dividend to the non-controlling shareholder of a subsidiary, the settlement of finance lease liabilities on a monthly basis and the servicing of interest payments.

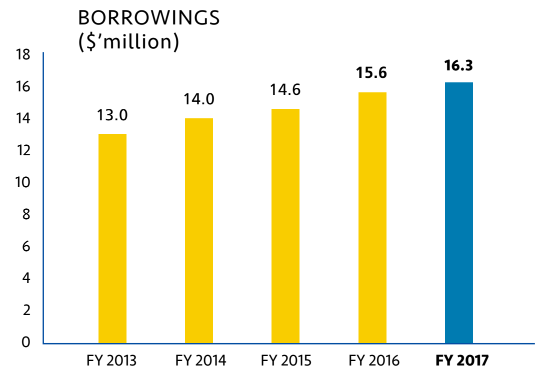
	2017 $'000	2016 $'000
Net cash from operating activities	6,725	3,076
Net cash used in investing activities	(4,635)	(2,349)
Net cash from financing activities	303	210
Net increase in cash and cash equivalents	2,393	937
Cash and cash equivalents as at end of year	**11,124**	**8,723**

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 99.6% (31/12/2016: 99.1%) of total loans and borrowings with the balance secured by a mortgage on the freehold land held by a subsidiary.

The Group is in compliance with all borrowing covenants for the financial year ended 31 December 2017.

As at 31 December 2017, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $1.7 million (31/12/2016: $1.7 million).



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

The weighted average effective interest rates relating to **bills payable to banks** of the Group is 5.04% (31/12/2016: 5.09%) 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 1.97% to 3.00% (31/12/2016: 1.69% to 2.00%) per annum and are repayable within the next 12 months from the financial year end.

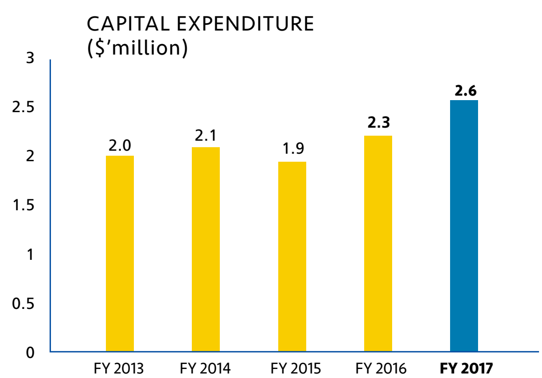
The **long-term loan** is a bank loan of Baht 8.0 million secured by a mortgage on the subsidiary's freehold land and is callable on demand. It bears interest at 6.75% (31/12/2016: 6.75%) per annum and is payable in 50 monthly instalments commencing September 2014.

	2017 $'000	2016 $'000
Current liabilities:		
Bills payable to banks (unsecured)	766	354
Finance lease liabilities	208	209
Short-term bank loans (unsecured)	15,000	14,500
Long-term bank loan (secured)	65	142
	16,039	15,205
Non-current liabilities:		
Finance lease liabilities	246	364
Total borrowings	**16,285**	**15,569**

Financial Review

CAPITAL EXPENDITURE

In FY 2017, there was $1.6 million of capital expenditure incurred in relation to our new breeding farms located in the Hainan Province (China) and Thailand. Another $0.4 million was in relation to the purchase of motor vehicle. In addition, there were on-going improvements to infrastructure and construction work undertaken overseas on the farm facilities so as to enhance operational efficiency.



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.

There was no final dividend recommended in respect of the financial year ended 31 December 2016 as cash were utilised for the renewal of the land leases of the Singapore farm and reserved for the investment in the Group's new aquaculture business in FY 2017.

For the financial year ended 31 December 2017, the Directors are pleased to declare a final dividend of 0.2 Singapore cents per ordinary share (one-tier tax exempt), paying up to almost 70% of its current year's net earnings. The proposed dividend, if approved by the shareholders of the Company at the forthcoming Annual General Meeting to be held on 28 March 2018, will be paid out on 25 April 2018.

The proposed dividend took into consideration the Group's profit growth, cash position, positive cash flow generated from operations and the projected capital requirements for business growth and other relevant factors.

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 Award

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
- 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
- 2017: Runner-up in Small Caps Category
  Runner-up in Comsumer Discretionary Category

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

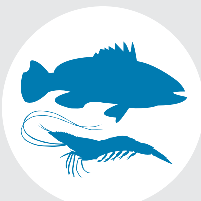
Best Managed Board Award
- 2003: Special Mention

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

Focus & Strategy

Cultivating A New Business Stream – Aquaculture



In 2018 and beyond, we will focus our efforts on cultivating our new business stream of the breeding of edible fish and shrimp and the import and export of edible fish and other seafood products. Currently, China accounts for more than 60 percent of aquaculture production in the world, and the aquaculture industry is projected to grow between 2% to 3.5% annually up to 2030. Amidst largely positive growth prospects forecasted for the industry, we have plans to grow this business segment substantially in the coming years through the following means.

1) Engineering a Recirculation Aquaculture System
We see the health of water as paramount to this business, and even though our pilot aquaculture farm currently uses a flow-through system, we aim to incorporate water recirculation technology in our current and future farms.

As such, first on our agenda looking ahead would be to refine our current filtration system by engineering a Recirculation Aquaculture System (RAS), whereby the thrice-filtered seawater is recirculated through the tanks for continuous use. This system would undoubtedly allow even better control of our water quality, and further minimise the risk of bacterial infiltration and disease or mortality. The RAS will also enable higher fish density or number of fish reared per litre resulting in greater overall productivity. Importantly, the RAS also plays a part in upholding our social responsibility towards our environment as it aligns with our corporate ethos of minimising our footprint in the areas where we operate.

2) Extending our value chain
Further down the road, we plan to develop our aquaculture value chain to include breeding, larval culture, nursery culture and grow-out culture, so as to enable a complete, food-safe end product for consumers. We may look into breeding other edible species such as other fish species or crustaceans in the long run.

3) Exploring partnerships and joint ventures
Moving forward, we are also keen to explore the possibilities of collaborating with potential partners in the following areas:

i. Offering advisory and consultancy services on aquaculture
ii. Collaborating through joint ventures in the farming of edible fish
iii. Providing end-to-end services in relation to customising turnkey aquaculture solutions based on our Hydra-powered aquaculture system, fish feed and herbal-based (plant extract) medication

[1] *FAO Fisheries Report: "Global Aquaculture Outlook In The Next Decades: An Analysis Of National Aquaculture Production Forecasts To 2030", page 21*

Advancing With Purpose

As we grow the Qian Hu brand globally, we also strive to ensure we are a responsible corporate citizen in the way we operate our businesses. More than profit, we also want to be an organization that cares for the environment and one that recognizes the impact we have on our surroundings.

Advancement in our business is a given objective, but Qian Hu will ultimately focus on advancing with purpose towards our shared sustainable future, and looking at ways to embed sustainable practices into our operations. More information about our sustainability philosophy and approach can be found in our detailed Sustainability Report on page •• of this Annual Report.

Anchoring Ourselves At The Core

ORNAMENTAL FISH

In the coming years, we will continue to invest our efforts into the breeding of ornamental fish with the aim for this segment to become one of our key competitive strengths. We are currently exploring the development new strains of ornamental fish which will take us well into the next few years.

We forsee that 2018 will be another challenging year for ornamental fish as the market will continue to demand high quality fish. Through our continued investment in R&D efforts, we plan to position ourselves as high-quality suppliers in the region.

Our farm in Ratburi province in Thailand has only utilized approximately 20% of its production capacity to date, and still holds huge potential to expand production. Meanwhile, we have been readying ourselves with the necessary infrastructure and equipment instalments this year.

We are progressing steadily with the development of our innovative fish counting device, designed to improve our inventory monitoring efficiency. With this, we will stand to benefit from higher accuracy, reduced time and labour, increased productivity, and assurance. The innovative technology can also be marketed to our customers in the future.

ACCESSORIES

In the Accessories segment, we are maintaining strong momentum on our Hydra systems with the new Hydra PRIME water purification system for larger applications such as outdoor ponds and koi pond systems. This system has taken about a year to develop, and has been tested extensively at China's renowned Koi specialist farm – Guangdong Shunde Changlong Koi Farm – led by Mr Pan Zhi Cheng.

Also, Qian Hu is raising the bar for our herbal-based medication series with a new range for stingrays that is 100% natural and antibiotic-free. Known for its sensitive nature, this medication series for stingrays was especially challenging and testing has been underway as early as June 2016. The product is slated to be introduced in 2018.

Our pet accessories product range will also grow this year with new and improved types of cat food and litter under our Aristo-Cats Yihu brand.

Sustainability At Qian Hu

Contents

Report Scope

Overview of Report

Qian Hu's Sustainability Report 2017 provides an overview of our approach, priorities and progress in the area of sustainability. Sustainability is integral to our business and as we embark on this journey of sustainability reporting, we also hope to identify and focus on areas of improvement.

All data and statistics provided in this Sustainability Report are in relation to the Group's operations. The report addresses activities and data that fall within the Group's financial year from 1 January to 31 December 2017, and our figures are represented in Singapore dollars.

REPORTING GUIDELINES AND METHODOLOGY

The Sustainability Report 2017 focuses on addressing our Group's Environmental, Social and Governance issues in line with the Singapore Exchange's Listing Rules 711A and 711B for listed companies, in addition to financial reporting. With this information, we aspire to provide stakeholders with an accurate, complete and meaningful overview on how we manage these sustainability issues across our business sectors.

Qian Hu's Sustainability Report 2017 adopts the reporting framework set out under the Global Reporting Initiatives (GRI) G4 Guidelines. We have prepared the report in accordance with the GRI G4 – Core level standards, and is based on a Group-wide materiality assessment in consultation with our Board. The GRI Content Index and relevant references can be found on pages 125 to 130.

ASSURANCE

Our Sustainability Report 2017 has not been externally assured. We aim to seek assurance in the future.

FEEDBACK

At Qian Hu, we always welcome feedback from our stakeholders on this report as we strive to improve our reporting. For queries, comments or suggestions pertaining to this Sustainability Report, please contact feedback@qianhu.com.

Message From The Board

Advancing With Purpose

At Qian Hu, we strive to be a company that advances not just on the business front, but also one that advances with purpose. While we work hard to create sustainable and long-term growth for our stakeholders, we also embrace sustainability - it is part of our operating DNA and defines us as a company.

We commenced our journey to sustainability reporting as early as FY 2011, focused mainly around the operations in Singapore where our headquarters are located. We launched our first Sustainability Report in January 2012, which then obtained the minimum Application Level C Statement from internationally acclaimed Global Reporting Initiative (GRI). That same year, we also clinched top honours in the Small & Medium Enterprise category at the Singapore Sustainability Awards 2012.

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.

Moving forward, we plan to improve our sustainability reporting on a yearly basis to ensure that we do our duty as a corporate citizen.

Sincerely,
Board of Directors
Qian Hu Corporation Limited

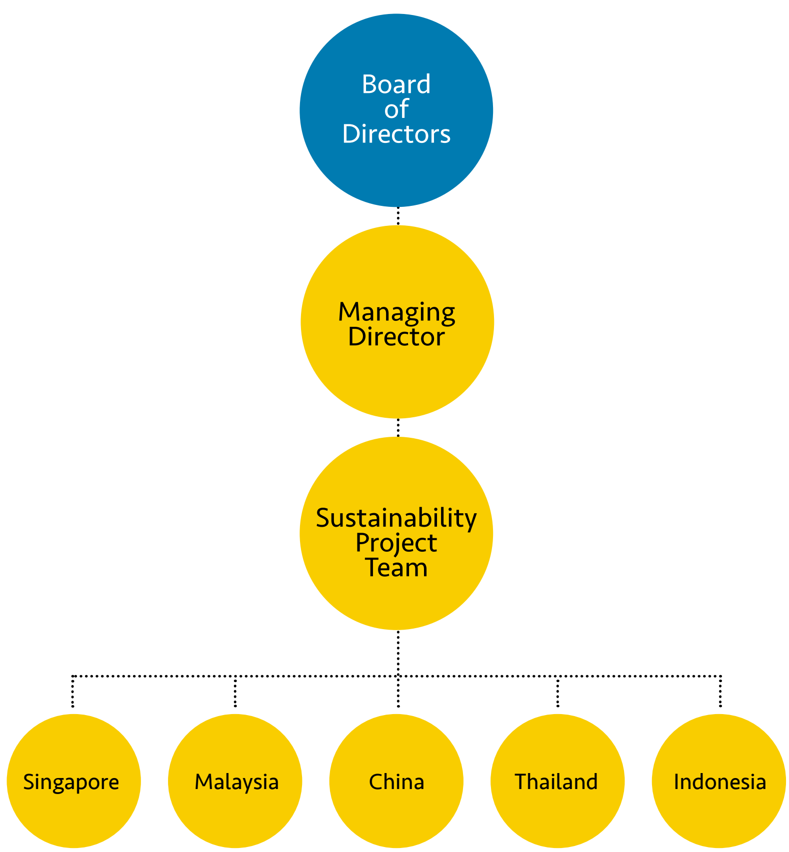
Our Approach & Strategy

Governance Structure

We remain focused and committed to upholding sound sustainability and governance practices to protect the long-term interests of our shareholders and create enduring value for our company and for all stakeholders. As such, we have a dedicated structure in place within Qian Hu to govern our sustainability function.

A Sustainability Project Team comprising 1 representative from each of our operating entities in Singapore, Malaysia, Thailand, Indonesia and China is responsible for managing sustainability throughout Qian Hu, and is headed by our Managing Director who reports to the Board of Directors. The Sustainability Project Team members are actively involved in implementing sustainability strategy and programmes in their respective entities so as to drive and collaborate on sustainability initiatives in key markets, as well as share best practices across the Qian Hu group of companies. The team works with other business functions such as operations, HR, and procurement to oversee the development, execution and reporting of the Group's sustainability strategy.

Sustainability is on the Board's agenda and the Group's sustainability strategy is presented to the Board annually. Our Sustainability Project Team presents the Board with regular updates on various sustainability programmes, upcoming activities as well as global and local trends that have an impact on our sustainability strategy.



Defining Material Issues

Based on a Group-wide materiality assessment, we have outlined our strategic sustainability priorities through these steps:

1. Defining key issues which impact the execution of our business strategy
2. Identifying critical areas that affect our businesses and stakeholders
3. Prioritising these critical factors and validate internally as pressing issues to address
4. Embedding best practices within our business operation processes where applicable

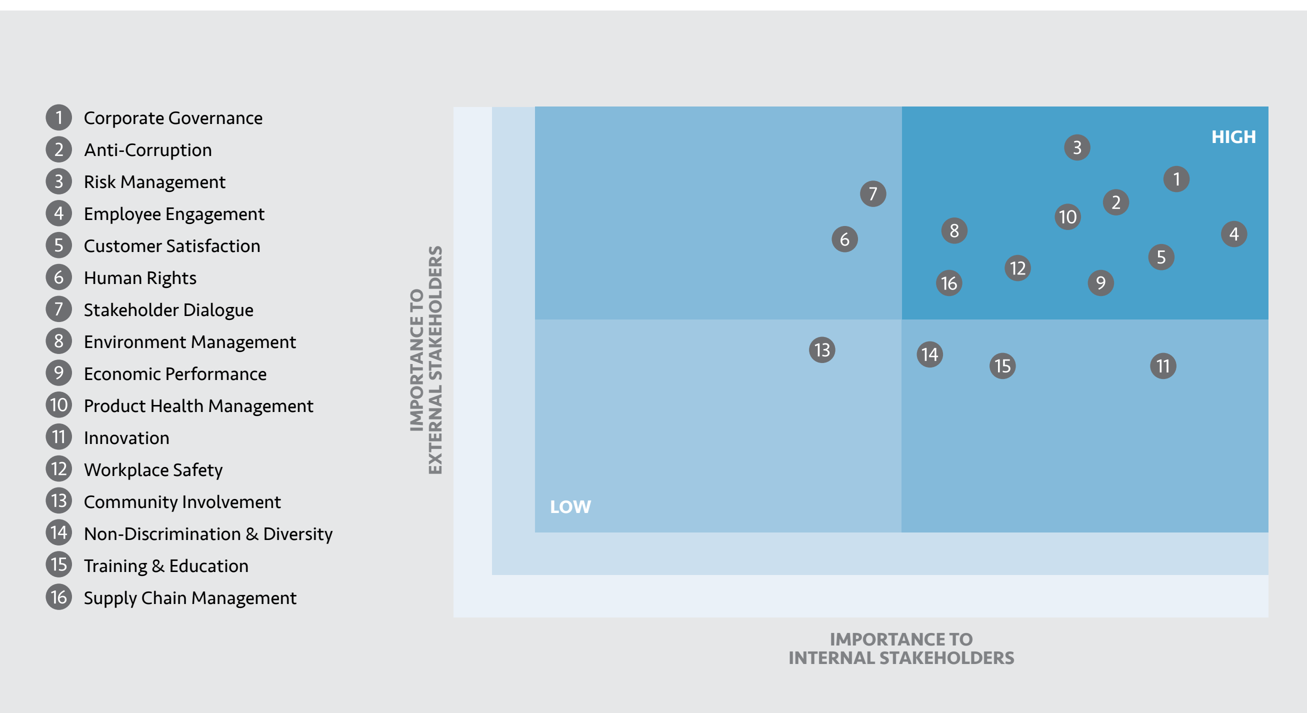
The Sustainability Project Team identified the specific ESG factors which are material to the Group based on their knowledge of their respective business areas, the challenges faced by the industry and the corresponding implications for Qian Hu's businesses and operations.

They also considered the insights they gained from their day-to-day engagement and consultation with various stakeholders to establish the direction for sustainability reporting.

In addition, the team conducted desktop research of sustainability reporting practices of companies leading the sustainability reporting initiative in Singapore.

Finally, the team also examined the evaluation criteria applied by the relevant sustainability indices and rankings to understand the ESG matters of interest to our stakeholders.

We classify the following as our material issues, and our sustainability efforts and reporting are focused on these issues. The materiality assessment is endorsed by Qian Hu's Board, and these priorities are reviewed on a yearly basis. We reviewed our material issues and updated these issues in view of today's operational context.



Our Approach & Strategy

Engaging Stakeholders

While we work on our sustainability efforts, we also aim to align our business interests with that of our stakeholders, which comprise those who are impacted by our businesses and operations. By assessing the significance and impact of their interest on Qian Hu's business, we have singled out six key stakeholder groups.

We believe that regular communication is the key to healthy stakeholder relations. Over the years, we have been engaging with our stakeholders regularly to ensure we address the key material issues raised by providing continual information updates through various engagement platforms.

STAKEHOLDERS	KEY ISSUES	ENGAGEMENT PLATFORMS
Suppliers	• Product quality assurance • Product pipeline • Supply chain management	• Supplier's Code of Conduct • Monthly supplier visits / meetings • Quarterly review meetings
Customers	• Customer satisfaction • Quality products and services • Available feedback platforms • Sustainability efforts	• Annual customer satisfaction survey • Farm visits • Product training • Qian Hu's owned websites • Qian Hu's social media platforms e.g. Facebook, Youtube • Feedback handling through email / phone calls
Employees	• Employee engagement • Talent retention and attraction • Employee safety and well-being • Employee training	• Quarterly staff dialogue sessions • Mobile chat groups and SMS push notifications • Regular floor walks • Bi-annual "Fish Matrix" newsletter • Annual employee opinion survey • Whistle-blowing policy
Community	• Doing our part as a corporate citizen	• Educational farm tours • Employee community programmes and initiatives • Business community relations and sharing sessions
Investors	• Financial stability • Long-term growth plans • Business diversification • Risk management • Corporate governance • Sustainability efforts	• Dedicated Investor Relations website • Quarterly financial results announcements • Half-yearly analyst & media financial results briefing, media release and presentation slides • Media interviews • 1-on-1 meetings • Annual General Meeting (AGM) • Detailed AGM minutes available online
Regulators	• Compliance	• Develop and maintain relationships and communication channels with government agencies and regulators across different business aspects • Regular meetings with AVA on statutory requirements and new developments in the ornamental fish sector

Our Focus, Commitments & Targets

With our materials issues and key stakeholders in mind, we have also mapped our sustainability priorities, impact to stakeholders and boundaries under the key focus areas set out below. We believe this approach will cover critical areas of our businesses, is sustainable, and can align Qian Hu with profitability.

We aspire to see these initiatives lead to increased value creation, along with positive impact on our environment and societies. We are committed to measurable targets and goals towards our journey to create sustainable value for all our stakeholders.

FOCUS	IMPACT TO STAKEHOLDERS	2017 PERFORMANCE	COMMITMENTS & TARGETS
Environmental Initiatives • Water Management • Energy Consumption • Recycling & Reuse of Materials	Applies to Qian Hu's operations in Singapore and overseas where our fish farm, pet accessories and aquaculture activities have definite impact on the environment. Issues ranging from environmental management to efficiency, reuse and conservation are key issues to all our stakeholders.	• Overall lower water and energy utilization and its corresponding intensity - see page 50 of this Annual Report	• Reduce water and energy intensity by 15% by Year 2020 using Year 2016 as a baseline
Supply Chain Management • Engaging Our Suppliers • Customer Satisfaction • Product Health Management • Driving Innovation	Applies across Qian Hu's business operations in Singapore and overseas. While our products are designed to be reliable and of certain quality, we are also committed to upholding standards in animal welfare and sourcing our materials in a socially responsible manner. Our ability to innovate also translates to how we manage the continuity of Qian Hu's business in a responsible manner towards all our stakeholders.	• Customer satisfaction score of 4.26 (2016 : 4.11) • 11 new accessories products launched	• Continued to enhance customer satisfaction level with improved service and quality products • 8 to 10 products developed per year • Uphold highest standards of customer data privacy protection • Drive responsible business practices across the supply chain
Stakeholder Engagement • Stakeholder Dialogue • Community Involvement	Our business is service-centric. An open, constant flow of communication using relevant platforms is important in all aspects of our operations, and applies to all our stakeholder groups. Building partnerships with our stakeholders and community contributes to Qian Hu's social license to operate and is also relevant to many of our stakeholders.	• 158 hours in community involvement by employees • Analyst and media briefings held on 18 July 2017 and 12 January 2018	• Ensure all communications platforms are clearly set out and are available • Increase percentage of employee participation in community initiatives • Half-yearly analyst and media briefings in conjunction with the release of the Group's half year and full year financial results
Safe & Conducive Workplace • Anti-Corruption • Upholding Human Rights • Non-Discrimination & Diversity • Safe & Conducive Workplace • Employee Engagement • Training & Education	Fair and merit-based employment practices are important to our employees, investors, regulators, and community as they affect our ability to attract, retain, and develop local talents under the direct hire of Qian Hu's offices and operations in Singapore. As a small-medium enterprise, business continuity, workplace safety and how we innovate are amongst the highest concerns to our stakeholders.	• Employees satisfaction score of 4.67 (2016 : 4.57) • No incident of corruption and fraud • No incident of whistle blowing • 24 hours of training hours per employee • Employees' average monthly turnover rate – see page 61 of this Annual Report • Zero fatalities and workplace accidents reported	• Clear employees' rights set out in Staff Handbook distribute to all employees • Improvement in employees satisfaction score over the years • "Zero-tolerance" on corruption and fraud • Whistle blowing procedures • Average of 4 training days per employee per year • Turnover rate below industry average rate • Zero fatalities and workplace accidents across business operations in all markets
Corporate Governance • Corporate Governance • Risk Management	Applies across Qian Hu's business operations in Singapore and overseas. Compliance with legislation as well as national and international standards of corporate governance, anti-corruption, risk management, environmental, safety, product, and social responsibility. These are issues of interest to all our stakeholders.	• Results released on 17 Apr (1Q 2017), 18 Jul (2Q 2017), 17 Oct (3Q 2017) and 12 Jan (FY 2017) • No incident of legal non-compliance	• Commitment to release financial results early - No later than 20 days from the end of each quarter (unaudited results) - 15 days from the financial year end (audited results) • Continuous strengthening of the enterprise risk management framework
Economic Performance • Financial Strength • Value-Added Performance	All our internal and external stakeholders look to Qian Hu to deliver on financial performance, as well as our value-added contribution to the societies and communities we operate in.	• Group revenue - $87.8 million • EBITDA – $3.1 million • Profit attributable to owners of the Company - $0.3 million • Earnings per share – 0.29 cents • Net assets value per share - 45.48 cents • Final dividend of 0.2 cents per share – totaling approximately $227K	• Revenue and profit growth • New business initiatives • Sustainable dividend payout • Prudent capital management

Environmental Initiatives

Environmental Compliance

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, which provides guidance on the management of key environmental aspects in our business such as recycling of our natural and reusable resources in our daily activities of fish breeding, nurturing, retailing, trading and export.

Qian Hu is committed to complying with environmental regulations set out by our local governing authorities - the Agri-Food & Veterinary Authority of Singapore, the National Environment Agency, National Parks Board etc. We constantly monitor, evaluate and audit our Environmental Management System, and ensure that we are at the forefront of ISO standards for environment management. We also adhere to environmental standards such as CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) and ISO9001:2008.

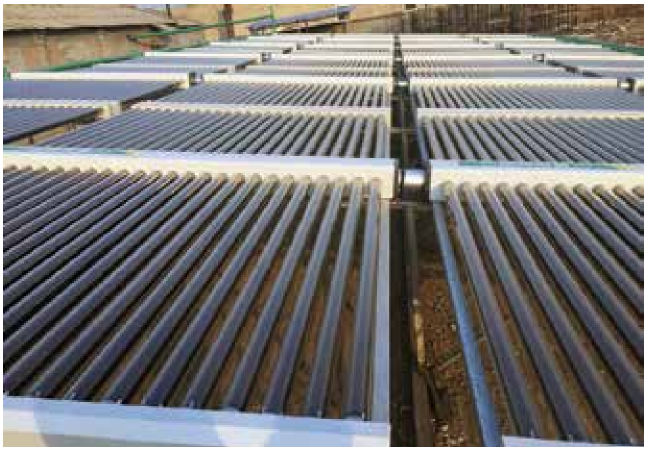
Our aim is to balance our economic interests with environmental concerns, and this is especially relevant for businesses such as ours. We are mindful that our products come from nature and the processes we carry out have an impact on the environment. We recognize our ability to carry out some of our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

In FY 2017, all our operating entities have transitioned to the new ISO9001:2015 standard as part of this year's surveillance audit by SGS Singapore – the world's leading inspection, verification, testing and certification company. We also have planned for our EMS14001:2004 transition to the new ISO14001:2015 standard in our next audit in 2018.

To address any public enquiries or complaints, we have in place an email address - feedback@qianhu.com – where consumers can send enquiries through.

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 is part of our ongoing effort to provide supplemental alternative energy for our tropical fish room operations during the winter months.



QIAN HU'S ENVIRONMENTAL POLICY

- Comply with all applicable laws, regulations and standards, and 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. One of the key areas where we utilise water is when we hold the fish during the quarantine process. On a daily basis, change of water is required to remove food leftovers, waste and also to reduce the ammonia buildup in the tank.

Since early 2014, we have invested our efforts in an Environmental Management System (EMS) to significantly reduce our water usage. By installing our Intensive Multi-Tier Automated Recirculation Holding Tank System, our farms enjoy efficient recycling of water using a multi-step filtration system for optimal water quality. This ensures that bio-load in the water is broken down and quickly removed. An ultraviolet sterilizer further removes waterborne pathogens, which allows healthier environment for our fish during the quarantine phase.

With less water required, this system also decreases our overall energy use as a result of minimal maintenance, and also cuts our water waste discharge. By end FY 2015, we had already achieved significant water savings of almost 60%. In FY 2017, 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.

Recycling and Reuse of Materials

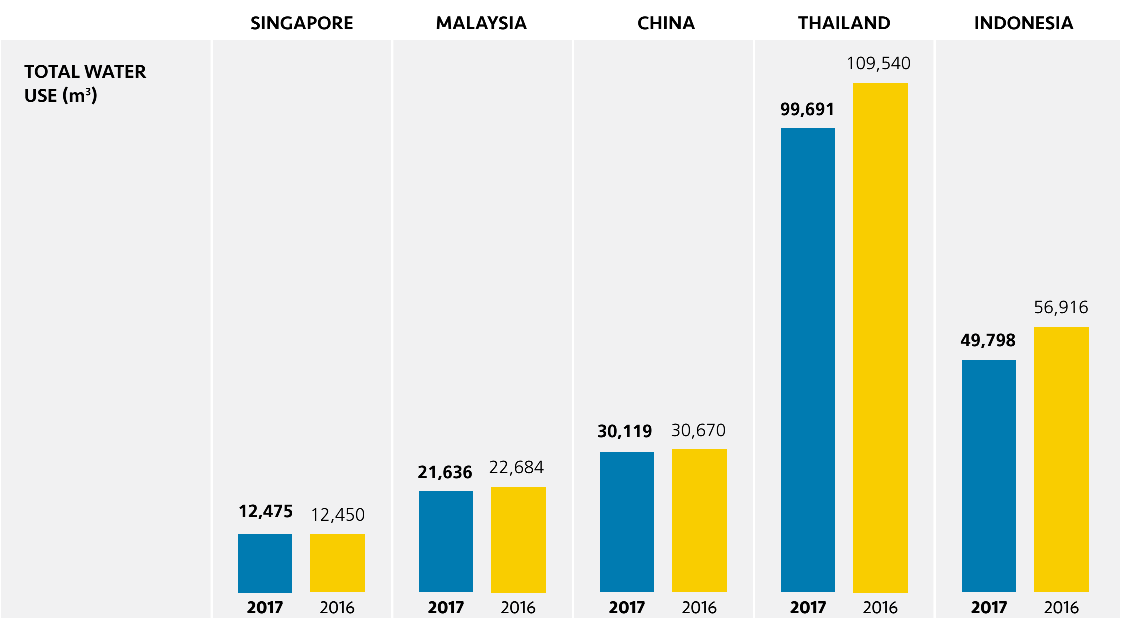
At our fish farm in Singapore, we also make every effort to recycle and reuse materials so as to minimize our overall impact on the environment. We have also put in place a waste management programme to track wastage, pursue recycling efforts and reduce the use of environmentally unfriendly packaging 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.

Since early 2016, we have been looking at ways to reduce our use of styrofoam boxes in the packing process for export shipments. Currently, styrofoam material is used for most of our packing needs together with paper carton boxes. We have since been trialing and testing alternative packing box materials that are more environmentally friendly, but we found that these alternatives were not well suited for fish transportation. Meanwhile, we will still continue our effort to source for alternatives in order to find the best way to minimize our packaging footprint.

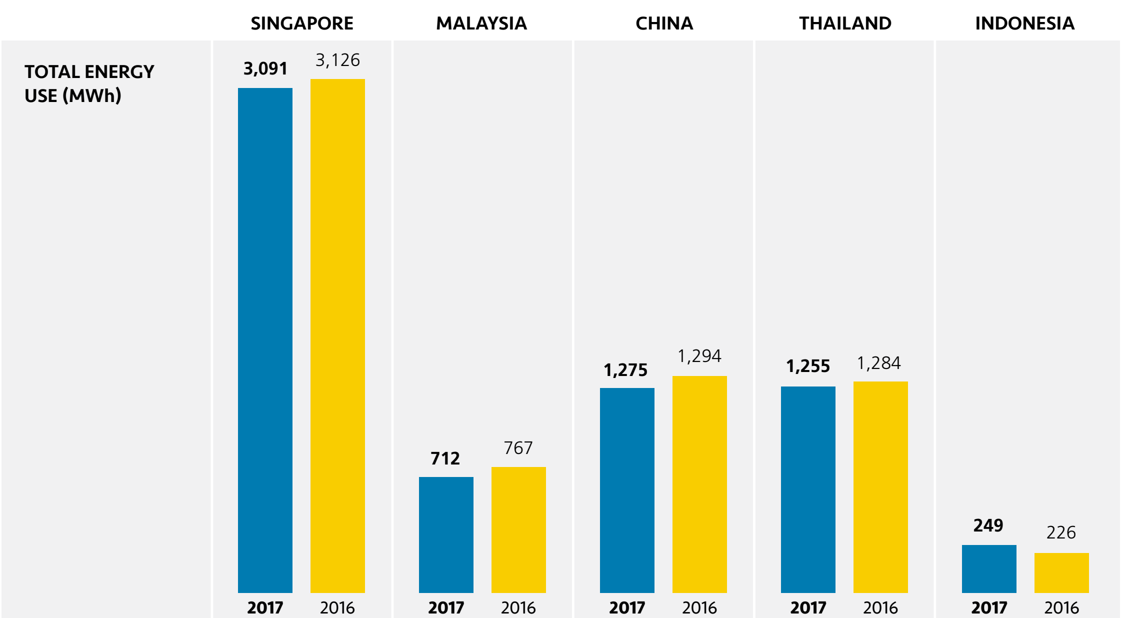
Our subsidiary, Qian Hu Tat Leng Plastic Pte Ltd manufactures high-density and low-density polyethylene bags across a wide range of commercial and industrial sectors. During the manufacturing process of the bags, the company gathers cut-out plastic wastage, which are outsourced to a third-party for recycling. The recycled plastic resin is then added back to the manufacturing mix in their efforts to recycle and reuse materials. In FY 2017, we recycled a total of 141 tonnes of such plastic wastages as compared to 132 tonnes in FY 2016. In addition, the company produces bio-degradable polyethylene bags in accordance with EU guidelines which are exported to Europe.

Environmental Initiatives

Environmental Performance Indicators



	Singapore 2017	Singapore 2016	Malaysia 2017	Malaysia 2016	China 2017	China 2016	Thailand 2017	Thailand 2016	Indonesia 2017	Indonesia 2016
WATER USE INTENSITY (m^3/m^2)	**0.20**	0.20	**4.15**	4.41	**2.15**	2.86	**11.73**	12.89	**39.40**	45.03



	Singapore 2017	Singapore 2016	Malaysia 2017	Malaysia 2016	China 2017	China 2016	Thailand 2017	Thailand 2016	Indonesia 2017	Indonesia 2016
ENERGY USE INTENSITY (kWh/m^2)	**49**	50	**137**	149	**91**	121	**148**	151	**197**	179

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 our 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.

In FY 2017, we engaged approximately 915 suppliers in total worldwide, and their range of services include the supply of ornamental fish, as well as products and services for our Accessories, Plastics, and Aquaculture businesses. We contract both global and local vendors for different parts of our businesses.

We actively communicate our stance on our environmental approach to all our suppliers when they are first acquired, and while we recognise that instilling higher standards in our supply chain will have its definite benefits to the way we operate, such practices will take time to be embedded in our own practices as well as those of our suppliers.

VALUE CHAIN & SUPPLY CHAIN ANALYSIS

	NO. OF SUPPLIERS	PRODUCTS / SERVICE	DISTRIBUTION	CUSTOMERS
Ornamental Fish	559	• Import & export of ornamental fish	• Own stores • Distributors • Retailers • Direct Sales • Online	• Retail stores • Hobbyists • General consumers e.g. families
Accessories	316	• Aquarium and pet accessories	• Own stores • Distributors • Retailers • Direct Sales • Online	• Retail stores • Hobbyists • General consumers e.g. families
Plastics	30	• Plastics products	• Distributors / principals • Retailers	• Supermarkets • Industrial customers
Aquaculture	10	• Edible fish • Shrimp	• Secondary breeders	• Secondary breeders

Customer Satisfaction

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. Customer satisfaction is one key measure of our consideration of our customers' needs and preferences and, from an organizational perspective, is essential for our long-term success.

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 at 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, we measure our customers' level of engagement with us through an annual Customer Satisfaction survey.

Customer Privacy

Qian Hu protects the privacy and confidentiality of our customers' information. Our Personal Data Protection Policy clearly spells our approach to personal data management, which is publicly accessible on our website www.qianhu.com/about-qian-hu/privacy-policy.

The policy clearly states how Qian Hu manages the personal data we hold in accordance with the Personal Data Protection Act 2012 and applies to all divisions and organisations in Qian Hu Corporation Limited stable of companies.

We respect our customers' personal data, and while we collect personal data for the purposes of providing our services, we do not sell, rent or give away personal data to third parties for commercial purposes. There were no instances on breaches of customer privacy and loss of customer data during the reporting period.

All employees are guided by Qian Hu's Code of Business Conduct and Ethics, and we take a strict view on any breach of customer confidentiality.

Supply Chain Management

Product Health Management

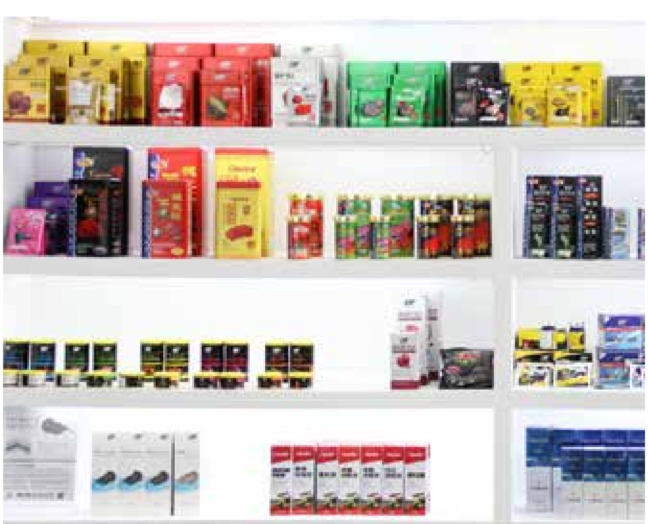
CONSUMER HEALTH & SAFETY

At Qian Hu, we currently stock more than 3,000 types of fish, aquarium and pet accessories and products ranging from live ornamental fish, to aquarium accessories such as fish tanks, pumps, and lighting to pet accessories such as dog and cat food, shampoo, litter and toys. These products form the lifeblood of our brand equity which we have spent building over the last three decades.

We make a highly conscious effort to protect the health and safety of our brands and our products and services. Non-compliance to product health issues have a direct and material impact on our performance, our reputation, our legal and financial risks, and overall employee buy-in.

As such, we ensure our aquarium and pet accessories and products are manufactured in line with HACCP (Hazard Analysis and Critical Control Points) & GMP (Good Manufacturing Practice) standards for health and product safety, as well as best practices such as MSDS (Material Safety Data Sheets). Our fish feeds, fish medication and pet food carry guaranteed ingredient analyses in terms of nutritional values and content mix. About 20% of our significant product and service categories are continually assessed for improvement in terms of health and safety impacts.

Qian Hu does not provide, deal with or sell any form of banned or disputed products as part of commitment to highest level of product health and safety.



PRODUCT & SERVICE LABELING

We ensure that we provide adequate and accurate information on the sustainability impacts of products and services so that they are able to make informed choices.

All our fish and pet products and accessories require labeling and packaging information. Some of our products such as cat litter already utilize environmentally friendly information – 100% natural pine wood, unbleached, no chemicals, harmful substances or fibres – on their packaging. We are constantly working to improve our product labeling to pass on such important information to our customers, who ultimately want the best pet care for their beloved pets.

In FY 2017, the total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes is zero.

MARKETING COMMUNICATIONS

We have a set of internal procedures and an operational manual for marketing, which we review annually to ensure best practices in marketing, technology applications, regulations and matched with customer expectations. We believe in responsible marketing and communications as non-compliance to these issues will result in loss of customer confidence and loyalty, and financial implications to Qian Hu's business. These factors are material to the success of our business, and we take a serious view of ensuring our product information is presented in a factually accurate manner.

All our marketing collaterals comply with the Singapore Code of Advertising Practice, governed by the Advertising Standards Authority of Singapore, an advisory council to the Consumers Association of Singapore.

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 organization, regardless of hierarchy, and we encourage our staff to be bold and daring at the ideation phase. In FY 2017, we continue to be passionate about new ideas, new technology and we have achieved new breakthroughs across all our product segments.

Ornamental Fish	• Commenced import of tropical ornamental fish species from new geographies – South America and Africa – to add to our range • Focusing our efforts on breeding more species of albino Arowana fish to meet market demand
Aquarium Accessories	• Unveiled Hydra PRIME water purification system for larger applications such as outdoor ponds and koi pond systems • Introduced improved and new formulas for 100% natural and antibiotic-free, herbal-based fish and stingray medication series • Launched large-scale OF Panoramic Tanks for Arowanas in China • Developed new series of natural rock and sand – RevoReef Bacto Rocks and Bacto Sand under the 3DM series – for freshwater use
Pet Accessories	• Obtained the Halal certification for our range of cat products from Jabatan Kemajuan Islam Malaysia (JAKIM), the Malaysian Halal Certification Body • Grew our range with new and improved types of cat food and litter under the Aristo Cats Yihu brand

OUR PAST SUCCESSES

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.

- Patented Hydro-Pure technology known in the market for its ability to detoxify and depurate water in both marine and freshwater environments for biologically cleaner and healthier water
- Multi-Tier Automated Water Recirculation Tank Holding System in our export hubs in Singapore, Malaysia, Thailand and China which helps conserve water and improve productivity
- Early innovation in Arowana pellet food and an extensive range of pellet food based on the same winning formula for other freshwater and marine species

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.

Recognized 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.

People Excellence is a key component of Qian Hu's four strategic values – Integrity, Entrepreneurship, Value Creation and Teamwork. Our people are undoubtedly vital to our continued sustainability as a global leader in ornamental fish distribution.

We are a firm champion of employment planning, and 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. Every year, we review and adjust our HR policies to ensure we remain on track with local employment laws and industry trends.

We believe all these factors contribute to our exemplary employee retention record, and that our emphasis on these tenets will continue to nurture a competent workforce. Our employees today are diverse, robust, and multi-cultural. All our Qian Hu 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.

Anti-Corruption

Qian Hu 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. We set out our anti-corruption policies in our Staff Handbook under our Code of Business Ethics and Conduct, which outlines our 'zero-tolerance' stance towards all forms of corruption. All employees are taken through the Code during their employment orientation session, and all guidelines are available on our Employee Portal.

Qian Hu also provides employees with guidance on how to declare and comply when giving or receiving gifts, or dealing with entertainment, sponsorships and charitable contributions during the course of their work. During the year, there were no reported incidents of corruption within our organisation.

Upholding Human Rights

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.

We are committed to upholding internationally-accepted human rights principles, including those relating to child labour, forced labour and freedom of association and collective bargaining.

As a small-medium enterprise, Qian Hu's business does not involve trade unions, and as such there are no employees who are covered under collective bargaining agreements.

Non-Discrimination & Diversity

As an employer, 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, regardless of race, sex, religion, political opinion, or social origin. We recruit and select employees on the basis of merit – skills, experience or ability – to perform the job. We also provide equal opportunity for training and development for our employees.

Our approach to being a choice employer also entails ensuring that we provide attractive employee benefits to all our full-time as well as part-time employees on a fair and equitable basis. These benefits include insurance, health care benefits, and parental leave amongst others. With this, we ensure that we invest fairly and equitably in our human resources in order to retain our talent. We believe these measures also represent Qian Hu's position as a qualified employer and ultimately helps to retain our employees by boosting morale and overall productivity.

Qian Hu has pledged its commitment to fair employment practices through the Tripartite Alliance for Fair Employment Practices (TAFEP)'s "Fair Employment Practices" pledge. TAFEP is a three-way alliance between the Ministry of Manpower, Singapore National Employers Federation and the National Trades Union Congress.

The tripartite promotes the adoption of fair, responsible and progressive employment practices among employers, employees and the general public. Under the pledge, Qian Hu has committed to undertake fair and progressive employment practices that will help promote an inclusive workplace - one that is built on merit and progressive HR practices.

For instance, Qian Hu believes in the benefits of re-employing older workers to retain and tap into their wealth of experience. To date, 12.7% 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 our approach to fair and non-discriminatory employment policies contributes to increased productivity as the most suitable person is chosen for the right jobs, and this leads to better overall employee well-being. In this financial year, we have not received any reports of discrimination within our organisation.

Total of 551 employees
as at 31 December 2017

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

66.6% Male
33.4% Female

19.4% 5 - 10 years of service
22.9% more than 10 years of service

12.7% above 50 years of age

Labour Practices & Conducive Workplace

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. We believe in cultivating an accident-free workplace that is healthy and conducive for all our employees, which will inadvertently lead to positive workplace morale and sense of well-being.

We take a collaborative approach to workplace health and safety practices. Our in-house workplace health and safety committee is elected by way of management nomination and employee selection, based on their daily work scope and ability to handle health and safety issues. This 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 them 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 automated external defibrillator (AED) 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 employees 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. Our HR department tracks and reports industrial accidents and injuries, and if required, claims will be filed accordingly. All our department heads, supervisors and employees are briefed to directly inform HR department on all accidents and injuries at the workplace, including minor cuts.

CORPORATE VALUES & BUSINESS CONDUCT

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.

Unlawful and unethical behaviour can result in far-reaching consequences for Qian Hu as a group, and have severe impact in the societies where we operate. As such, all employees are obligated to comply with the guidelines outlined above.

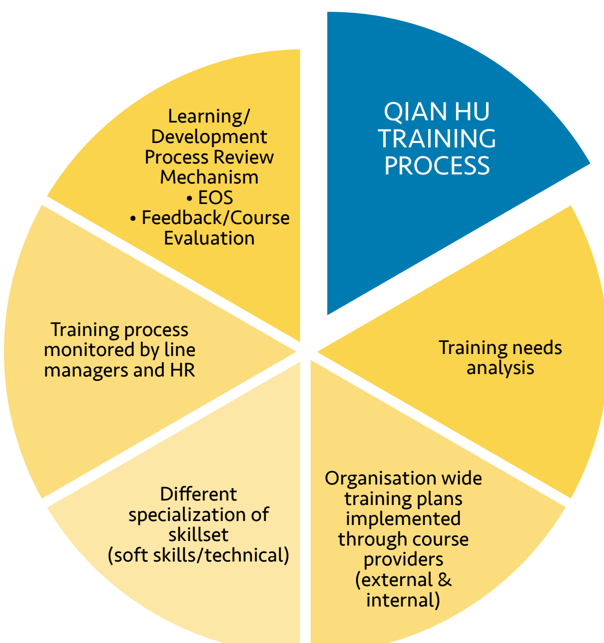
Individual employees who breach our operating principles will face serious disciplinary action and potential lawful consequences such as fines or imprisonment, claims for damages, sanctions under labour law and possible termination of employment.

CODE OF BUSINESS ETHICS AND CONDUCT

- Zero-tolerance against corruption, fraud, insider trading, theft or bribery
- Compliance with the Company’s internal policies, including those relating to transparent accounting, appropriate disclosures, and internal controls
- Maintaining the Company’s policies around workplace health, safety measures that might endanger the life or safety of fellow employees
- Committed to fair and respectful working conditions without discrimination
- General code of conduct in terms of handling of Company property, assets and disclosure of information or trade secrets of the Company without permission

Training & Education

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. Learning and development is one of our key HR thrusts, and in a changing work environment, upskilling our human resource pool allows us to cohesively meet future challenges ahead. With more skilled employees, our human capital resources will be geared positively. Equal opportunity in terms of recruitment, promotion, and remuneration is also a key aspect of our HR strategy.



Qian Hu's training and education strategies aim to address our business objectives while providing growth opportunities for our employees.

Apart from on the job training, our employees attend external 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 in Singapore, 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 their 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 celebrated our employees' birthdays on a monthly basis.

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 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.

January

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

Each employee spent approximately **24 hours** on average in training for 2017

Labour Practices & Conducive Workplace

Employee Engagement

In ensuring open communication channels with our employees across the Group on the business developments and activities of the Group, we ensure we have ready channels and platforms available for employees to communicate with us. We recognize that labour policy disputes may occur, and effective feedback platforms play an important role in ensuring employee voices are heard if they are carrying specific HR-related grievances.

PROVIDING FEEDBACK PLATFORMS

At Qian Hu, we ensure that 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 all employee or HR-related issues on an ongoing basis.

In addition, we have a Staff Suggestion Scheme in place for employees to provide improvement ideas to management, and our whistle-blowing policy is made known to all employees at induction, and we regularly remind employees of this available mechanism.

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

On a bi-annual basis, we publish an 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 employees of corporate activities, act as reminders and help communicate other employee-related content in a much quicker manner. The response from our employees has been very positive as the content is pushed automatically to them.

Each of our subsidiaries and divisions regularly utilize popular chat platforms in their market such as WeChat and LINE messenger to set up company-wide chat groups and exchange information.

WHISTLE BLOWING POLICY

A whistle blowing policy is 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 and 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.

In FY 2017, there were no known incidents of non-compliance with our Code of Business Ethics and Conduct, or whistle blowing cases in Qian Hu.

People Performance Indicators

	SINGAPORE 2017	SINGAPORE 2016	MALAYSIA 2017	MALAYSIA 2016	CHINA 2017	CHINA 2016	THAILAND 2017	THAILAND 2016	INDONESIA 2017	INDONESIA 2016	TOTAL 2017	TOTAL 2016
EMPLOYEE PROFILE												
Total employees (number)	**185**	**186**	**113**	**116**	**110**	**94**	**116**	**127**	**27**	**27**	**551**	**550**
Employees by gender (number)												
Male	125	126	75	58	57	55	86	85	24	22	367	346
Female	60	60	38	58	53	39	30	42	3	5	184	204
Employees by age group (number)												
Under 30 years old	33	37	48	43	48	50	53	53	11	16	193	199
30 to 50 years old	101	101	54	61	56	42	62	71	15	11	288	286
Over 50 years old	51	48	11	12	6	2	1	3	1	0	70	65
Employees by educational qualification (number)												
Degree and above	27	27	9	8	14	12	69	80	7	3	126	130
Diploma and equivalent	31	30	29	29	39	30	9	13	2	5	110	107
Secondary and below	127	129	74	76	53	38	38	34	18	19	310	296
Skill certificates	0	0	1	3	4	14	0	0	0	0	5	17
Employees by employee category (number)												
Key management	18	18	7	7	2	0	8	6	1	1	36	32
Middle management & Executives	41	62	26	23	51	21	14	13	3	5	135	124
Admin & Operational staff	126	106	80	86	57	73	94	108	23	21	380	394
Employees by employment contract (number)												
Permanent	185	186	113	116	107	92	116	127	27	27	548	548
- Full time	*183*	*183*	*104*	*110*	*106*	*90*	*116*	*127*	*27*	*27*	*536*	*537*
- Part time	*2*	*3*	*9*	*6*	*1*	*2*	*0*	*0*	*0*	*0*	*12*	*11*
Temporary	0	0	0	0	3	2	0	0	0	0	3	2
Employees by length of service (number)												
Less than 5 years	74	81	79	76	85	70	67	69	13	15	318	311
5 to 10 years	38	34	18	22	16	19	21	28	14	12	107	115
Over 10 years	73	71	16	18	9	5	28	30	0	0	126	124
NEW HIRES												
Total new hires (number)	**21**	**20**	**32**	**40**	**71**	**33**	**17**	**29**	**3**	**6**	**144**	**128**
New hires by gender (number)												
Male	16	13	23	18	34	19	14	3	2	6	89	59
Female	5	7	9	22	37	14	3	26	1	0	55	69
New hires by age group (number)												
Under 30 years old	13	11	23	14	41	19	17	1	3	6	97	51
30 to 50 years old	7	6	9	21	28	13	0	26	0	0	44	66
Over 50 years old	1	3	0	5	2	1	0	2	0	0	3	11
TURNOVER												
Total turnover (number)	**22**	**15**	**35**	**21**	**71**	**39**	**28**	**27**	**3**	**8**	**159**	**110**
Average monthly turnover rate (%)	1.0%	0.7%	2.6%	1.5%	5.4%	3.5%	2.0%	1.8%	0.9%	2.5%	2.4%	1.7%
Turnover by gender (number)												
Male	18	8	6	13	40	23	18	14	1	5	83	63
Female	4	7	29	8	31	16	10	13	2	3	76	47
Turnover by age group (number)												
Under 30 years old	13	8	22	6	41	28	19	25	3	3	98	70
30 to 50 years old	6	4	13	13	28	10	9	2	0	4	56	33
Over 50 years old	3	3	0	2	2	1	0	0	0	1	5	7

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 the employees in Singapore donated generously to this meaningful cause, and this was matched by the Company dollar-for-dollar as well.

In addition, we also donated 30 koi fish to Man Fut Tong Nursing Home this year as a gesture of well meaning for the residents.

Here, 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 as part of our community give-back efforts. Our China subsidiary staff also visited an old folks' home this year as part of community work.

In FY 2017,
Qian Hu has committed more than
158 hours
on community initiatives

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 2017, amongst others, he offered his views as a panellist at a workplace event organised by Singapore National Employers Federation, and also gave talks to MBA students from University of Southern California and UC Berkeley. During the year, he also contributed his views to the Asia Youth Chinese Forum members, Singapore Civil Defence Force, Singapore Sports Council, as well as the management team at Urban Redevelopment Authority.

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. They play an active role in connecting with the broader industry ecosystem to share knowledge, network contacts, resources and best practices in fish import/export policies. In addition, Qian Hu offers internships to various polytechnics in Singapore throughout the year.

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

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.

FY 2017 / FY 2018 Financial Calendar

FY 2017	FY 2018	
12 Jan	12 Jan	• Full year Results Announcement • Media & Analyst Briefing
22 Mar	28 Mar	• Annual General Meeting
17 Apr	16 Apr	• 1Q Results Announcement
	25 Apr	• Payment of dividend *(Subject to Shareholders' approval at AGM)*
18 Jul	16 Jul	• 2Q Results Announcement • Media & Analyst Briefing
17 Oct	16 Oct	• 3Q Results Announcement

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 and the media 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 3 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". It has started incorporating its Sustainability Report, which received the entry-level C rating issue by the Global Reporting Initiative (GRI), in its Annual Reports to shareholders from 2011 onwards.

INVESTOR RELATIONS CONTACT

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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

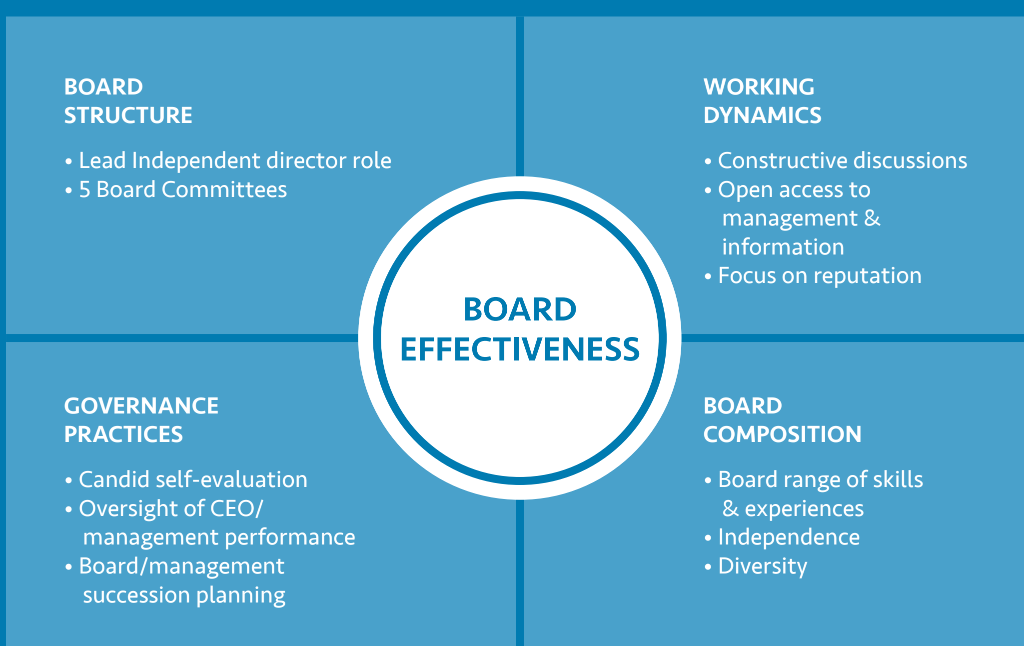
Corporate Governance Report

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 2017, 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 2017, the Group has adhered to the principles and guidelines as set out in the Code. In so far as any principles and/or guideline has not been complied with, the reason has been provided.

CORPRATE GOVERNANCE FRAMEWORK



Corporate Governance Report

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 (more details are set out in the "Sustainability & Governance" section on pages 43 to 130 of this Annual Report); 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 Management 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.

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 2017*** The details of updates, seminars and training programmes attended by the directors in FY 2017 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 "Optimising your IFRS 9, 15 and 16 transition options" organised by KPMG LLP • Asia Sustainability Reporting Summit 2017 organised by CSRWorks International • SID Directors' Conference 2017 : The Sustainability Imperative organised by the Singapore Institute of Directors ("SID") • Launch of "Singapore Board of Directors Survey 2017" jointly organised by the SID and SGX-ST

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 shall make up at least half of the Board. The Company has complied with the relevant guideline of the Code as half of the Board members are independent directors.

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 10 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 (with both Messrs Chang and Tan abstaining from the review), 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.	The NC conducts its annual review of the composition of the Board which comprises members of both genders and with different backgrounds and core competencies. 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 specialisation 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. In recognition of the importance and value of gender diversity in the composition of the Board, out of the eight directors, two are female directors.
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.

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 113 of this Annual Report.

Corporate Governance Report (cont'd)

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 "Succession Planning" section on page 59 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 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.

Corporate Governance Report (cont'd)

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 and satisfactorily discharge her duties as director of the Company, notwithstanding her multiple board appointments for FY 2017. 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.	As at 31 December 2017, 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 key information of each member of the Board are set out on pages 12 to 15 of this Annual Report. The shareholdings of the individual directors of the Company are set out on page 132 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 28 March 2018 are stated in the Notice of AGM set out on pages 202 to 204 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.

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 in FY 2017, 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. ***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.

Guidelines of the Code	Qian Hu Corporate Governance practices
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 establishes objective criteria and evaluate the Board's 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.

Corporate Governance Report (cont'd)

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.
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.

Guidelines of the Code	Qian Hu Corporate Governance practices
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.
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 pages 113 of this Annual Report.
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 talents without being excessive, and thereby maximise value for shareholders. 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.
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.

Guidelines of the Code	Qian Hu Corporate Governance practices
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 avoids rewarding poor performance.

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.

Corporate Governance Report (cont'd)

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 does not have any share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place. The Board is of the view that such long-term incentive plan is not effective and that it is difficult to determine how much such long-term incentive plan contributes to the retention of employees and to motivate their performance.
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.	Non-Executive Directors receive directors' fees which consist of a basic retainer fees as director and an additional fee for serving on any of the Board Committees. The remuneration structure for Non-Executive Directors' fees, which is being reviewed by the RC periodically, is as follows:

Roles	Members (per annum)	Chairman (per annum)
Board of Directors	$8,000	Executive Chairman – no director's fee paid
Audit Committee	$6,000	Additional $4,000
Other Committees	$5,000	Additional $2,000

The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2017 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.

Guidelines of the Code	Qian Hu Corporate Governance practices
	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. 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 scheme or any long-term incentive 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.

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.
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.

Guidelines of the Code	Qian Hu Corporate Governance practices
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.	Please refer to Guideline 8.2 above.
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.

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 summarises 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 115 to 124 of this Annual Report.

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 114 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 opinion 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 2017.
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 112 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.

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 2017 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.

The following areas are the key risks of misstatement of the Group's financial statements and how these matters were addressed:

Matters considered	Action
Revenue recognition - $87.8 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.

Matters considered	Action
Valuation of brooder stocks – $9.4 million (11.5% 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 (offspring of the brooder stocks), with the application of an appropriate interest rate in discounting these cash flows. 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 2017 and that the disclosures in the financial statements were appropriate.
Valuation of trade and other receivables - $30.9 million (37.9% of Group's total assets)	Included in the trade and other receivable balance as at 31 December 2017 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") amounted to $11.3 million 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 2017 and that the disclosures in the financial statements were appropriate.

Guidelines of the Code	Qian Hu Corporate Governance practices
(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.

Guidelines of the Code	Qian Hu Corporate Governance practices
(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. 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 185 of this Annual Report.

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 2017.

Corporate Governance Report (cont'd)

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.

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 2017, is distributed to all shareholders 28 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.

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 conducts electronic poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were clearly explained by a representative from the independent scrutineer firm appointed at the 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. The legislation has since 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 64 and 65 of this Annual Report.

Corporate Governance Report (cont'd)

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 as well as an external IR consultant 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 7 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.

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. The Board of directors has declared a final dividend of 0.2 Singapore cents per ordinary share for the financial year ended 31 December 2017.

Corporate Governance Report (cont'd)

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, including 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 present at 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.

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. The Company prepares 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 within three working days from the date of the meeting.
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 in voting process and effective participation, the Company conducted electronic poll voting for all its resolutions passed at its AGM. Through the service provider's poll voting system, the total number of votes cast for and against and the respective percentages on each resolution were tallied and instantaneously displayed on the screen during the AGM. An independent scrutineer firm was present to validate the votes at the AGM. 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, were announced after the AGM via SGXNET.

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 transactions. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction is carried out fairly and at arm's length 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 189 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 will declare his/her interests and 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 Management 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	Member
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	-	Chairman

TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name of director	Board	Executive Management 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	3	12	3 *	-	-	-
Andy Yap Ah Siong	3	12	3 *	-	-	-
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	-	2

* *Attendance by invitation of the Committee*

Corporate Governance Report (cont'd)

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 2017 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	-	-	26,000	26,000
Sharon Yeoh Kar Choo	-	-	26,000	26,000
Ling Kai Huat	-	-	24,000	24,000
	1,134,960	**-**	**106,000**	**1,240,960**

- 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 incentive 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 2017 is set out below:

Name of management personnel	Salary	Bonus	Allowances & benefits	Total remuneration
	$	$	$	$
Jimmy Tan Boon Kim	256,764	-	-	256,764
Yap Kim Choon*	189,360	-	-	189,360
Lee Kim Hwat	168,528	14,044	-	182,572
Low Eng Hua	144,240	12,870	-	157,110
Yap Kok Cheng	126,240	11,115	-	137,355
	885,132	**38,029**	**-**	**923,161**

* *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 2017 is set out below:

Name of executive	Salary	Bonus	Allowances & benefits	Total remuneration
	$	$	$	$
Yap Ping Heng	102,480	-	-	102,480
Yap Hock Huat	102,480	-	-	102,480
Yap Kim Chuan	105,840	-	-	105,840
	310,800	**-**	**-**	**310,800**

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.

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.

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.

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 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 be 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 and review. The process takes into account both the impact and likelihood of the risks identified.

RISK MANAGEMENT PROCESS

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

Risk Management (cont'd)

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.

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.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
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; hence; it is exposed to risks associated with its expansion plans, including the financial burden of setting up new businesses and dealing with unfamiliar rules and regulations in foreign jurisdictions. • The investment timeframe and the budgets for such expansion plans will be exceeded and that the parameters set will not be achieved.	• 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. • Investments are monitored to ensure that they are on track in meeting the Group's strategic intent, investment objectives and returns.
Market and political risk	
• The Group currently operates in five countries with assets and activities spreading mainly across the Asia Pacific. The subsidiaries 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. • The Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets.	• Consistently keep up-to-date on the potential 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 2017, approximately 34% of the Group's assets are located overseas, while revenue from its overseas' customers constitute approximately 72% of the total revenue in FY 2017. As the Group currently exports to more than 80 cities and countries, the effect of greater geographical diversification reduces the risk of concentration in a single market.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
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.	• Maintain close working relationships with respective local authorities and business partners so as to keep abreast with any changes and/or material regulatory development. • All necessary certificates and licences are obtained and renewed on a timely basis in accordance with applicable rules and regulations.
Competition risk	
• With increasing competition, the Group may possibly lose its competitive edge due to new market entrants or with the growth of existing competitors as well as the emerging of new and better receptive products.	• Strive to maintain competitiveness through product differentiation and leveraging on 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 competitiveness, productivity and profitability. • Invest perpetually in research and development activities in order to develop more innovative accessories products with 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.	• 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). Qian Hu 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 in place and communicated to all employees within the Group so as to uphold the reputation of the Group.

Risk Management (cont'd)

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Business continuity risk	
• The Group may encounter unforeseen circumstances, including internal and external threats, which can prevent the continuation of its business operations, such as during crisis or disasters.	• Focus on refining its business continuity management, including the setting up of an operational prevention and recovery framework, so as to ensure that it can continue maintain its competitive advantage, maximise value for its stakeholders, as well as minimise any disruptions to its critical business activities, people and assets. • Crisis management and communication procedures are in place and refined constantly to allow for prompt responses and expedite recovery so as to enhance the resilience of the Group to potential business interruptions.

OPERATIONAL RISKS

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

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Operational processes risk	
• Possible breakdown in internal process, deficiencies in people and management, or operational failure arising from external events could resulted in potential loss to the Group.	• Minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as through business continuity planning. • On-going efforts to streamline business processes and adopt ISO standards and certifications to achieve standardisation of processes and best practices. • Conduct regular reviews of policies and authority limits to ensure its relevance in meeting changing business environment.
Product risk	
• Ornamental fish, like other livestock, is susceptible to disease and infection. • Products and services offered by the Group may fail to meet customers' needs and expectations due to its functionality or quality, which can be damageable to the brand integrity.	• 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.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
	• Institutionalised a comprehensive health management and quarantine system for all domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for the fishes. Currently, all domestic and overseas fish operations have attained ISO certifications, including the breeding of Dragon Fish. • Integrated in-house R&D team to focus on research of Dragon Fish breeding behaviour, product innovation technology for aquarium accessories and new form of ornamental fish farming technology to attain product differentiation and diversification, as well as to address quality issues. • Diversified in both its products and markets by selling 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 species of fish or type of accessories products.
People risk	
• While 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 executives, could result in business interruptions and a loss in shareholders' confidence. • Succession plan execution is a challenge given the size of the Group.	• 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 executives, not solely by the Yap family members. • Has since put in place a structured succession planning program to identify and develop a team of potential employees based on their merit, who can take Qian Hu to the next lap of growth. The training of a team of next-generation leaders is critical to the continuity of the business which should last beyond this generation.

Risk Management (cont'd)

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Climate change and environmental risk	
• Climate change and environmental risk is a growing concern. The recent spate of natural catastrophes and the continuing threat of future occurrences, especially in the past few years, may disrupt the Group's fish breeding/farming activities and/or logistics arrangements, resulting in economic losses.	• Embark on strategic reviews on key areas, such as infrastructure and logistics, to minimise the business impact of untoward events. • 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. • Develop more proactive measures and environmental practices and continue to embrace and leverage on technology to improve processes.

FINANCIAL RISKS

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

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Credit risk	
• The Group may suffer potential financial loss resulting from the failure of customers or counterparties to settle their financial and contractual obligations as and when they fall due.	• Standard procedures in place which includes the application of credit approvals, performing credit evaluations, setting credit limits and the monitoring of credit risk on a regular basis. Cash terms or advance payments are required for customers with lower credit standing. • 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. • 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.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Interest rate risk	
• The Group is exposed to interest rate fluctuations from external borrowings.	• Managed 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. • Cash balances are placed with reputable banks and financial institutions. For financing obtained through bank borrowings and finance lease arrangements, it is the Group's policy to obtain the most favourable interest rates available without increasing its foreign currency exposure.
Liquidity risk	
• Renewal or additional financing made available to the Group on favourable terms is subject to prevailing global and local economic conditions, credit and capital market sentiments.	• Monitor net operating cash flow and maintain a level of cash and cash equivalents deemed adequate by management for working capital to mitigate the effects of fluctuations in cash flows as well as to ensure that the Group has sufficient funds to meet its contractual and financial obligations as and when they fall due. • Cash flow projections and available bank facilities are reviewed regularly to ensure efficient management of liquidity position. • Enhance ability to generate cash from operating activities so as to improve the Group's cash position; 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. • 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.	• Continuous monitoring of 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. • Natural hedging is used extensively including matching sales and purchases of the same currency and amount where practicable.

Risk Management (cont'd)

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
	• 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. • Currency translation risk, which is inherent for operations outside Singapore, is non-cash in nature and therefore not hedged.
Capital structure risk	
• Insufficient capital structure could impact the Group's ability to provide appropriate returns to shareholders.	• 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.
Financial management risk	
• Rely on self- assessment, review and reporting process 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 and effective. • 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's effectiveness to vary from time to time.	• Formalised operating manuals and standard operating procedures. • Internal controls over financial reporting are reviewed regularly 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.
Derivative financial instrument risk	
• Market conditions may move against the Group's assumptions at the time of hedging the transactions.	• The Group does not hold or issue derivative financial instruments for trading purposes.

COMPLIANCE RISKS

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

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Compliance risk	
• As a listed company incorporated in Singapore with overseas subsidiaries in various countries, the Group 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. • Fraud or deliberate wrongful acts committed within the Group can result in financial loss.	• Implemented effective compliance frameworks, which include putting in place the relevant internal controls processes, policies and procedures, delegation of authority matrix, risk management initiatives and corporate governance practices to monitor the level of compliance so as to minimise the level of lapses. • Established internal guidelines (Code of Conduct and Business Ethics) and anti-corruption polices have been defined and put into practice for which employees are accountable for compliance. • Whistle blowing policy has been in place since FY 2006, where by 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. • External auditors are engaged for statutory audit and internal auditors are engaged to conduct operations review; both reporting to the Audit Committee.

Risk Management (cont'd)

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.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
IT risk (including cyber security)	
• The Group is imperiled to a full range risks, presented in various forms, associated with its IT system, including disruptions to the network. • Increasing global incidents of cyber-attacks on company servers and websites demonstrates the need to reinforce and tighten the security of the Group's IT systems.	• Adopted the necessary and up-to-date IT controls and governance practices, where applicable, to alleviate the risks that are associated with IT. • Constant strengthening of the IT security framework and putting in place appropriate measures to safeguard against loss of information, data security, as well as to ensure the continuity of the Group's business activities and its prompt recovery from an IT crisis. • Conduct regular training for users to heighten awareness of IT threats.

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102-56	Policy and current practice with regard to seeking external assurance for the report	This report has not been externally assured. Qian Hu will consider external assurance in the future.

SPECIFIC STANDARD DISCLOSURES		**Page Reference**
Category: Economic		
Aspect: Economic Performance		
103	Generic Disclosures on Management Approach (DMA)	47, 30-38
201-1	Direct economic value generated and distributed	29
201-2	Financial implications and other risks and opportunities for the organization's activities due to climate change and other sustainability issues	118-120

GRI Content Index (cont'd)

SPECIFIC STANDARD DISCLOSURES		Page Reference
Category: Economic		
Aspect: Economic Performance		
201-4	Significant financial assistance received from government	Qian Hu is not at liberty to disclose due to confidentiality agreements
Category: Environmental		
Aspect: Energy		
103	Generic Disclosures on Management Approach (DMA)	47, 48
302-1	Energy consumption within the organization	50
302-3	Energy intensity	50
Aspect: Water		
103	Generic Disclosures on Management Approach (DMA)	47, 49
303-1	Total water withdrawal by source	50
303-3	Percentage and total volume of water recycled and reused	50
Category: Social		
Sub-Category: Labor Practices and Decent Work		
Aspect: Employment		
103	Generic Disclosures on Management Approach (DMA)	47, 56-63
401-1	Total number and rates of new employee hires and employee turnover by age group, gender and region	61
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	56-63
Aspect: Occupational Health & Safety		
103	Generic Disclosures on Management Approach (DMA)	47, 58
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities.	47

403-3	Workers with high incidence or high risk of diseases related to their occupation	Not applicable to Qian Hu employees as we do not operate in environments that are high incidence or high risk of disease
403-4	Health and safety topics covered in formal agreements with trade unions	Not applicable as Qian Hu is not a unionised company.

Aspect: Training and Education		
103	Generic Disclosures on Management Approach (DMA)	47, 59
404-2	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	57

Aspect: Diversity & Equal Opportunity		
103	Generic Disclosures on Management Approach (DMA)	47, 57
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	61, 74

Aspect: Labour Practices Grievance Mechanisms		
103	Generic Disclosures on Management Approach (DMA)	47, 60
103-2	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	60

Aspect: Non-Discrimination		
103	Generic Disclosures on Management Approach (DMA)	47, 57
406-1	Total number of incidents of discrimination and corrective actions taken	57

Sub Category: Society		
Aspect: Anti-Corruption		
103	Generic Disclosures on Management Approach (DMA)	47, 56

GRI Content Index (cont'd)

SPECIFIC STANDARD DISCLOSURES		Page Reference
Category: Social		
Sub Category: Society		
Aspect: Anti-Corruption		
205-2	Communication and training on anti-corruption policies and procedures	56
205-3	Confirmed incidents of corruption and action taken	47, 56
Sub-Category: Product Responsibility		
Aspect: Customer Health & Safety		
103	Generic Disclosures on Management Approach (DMA)	47, 54
416-1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	54
416-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	54
Aspect: Product and Service Labeling		
103	Generic Disclosures on Management Approach (DMA)	47, 54
417-1	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	54
417-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	54
	Results of surveys measuring customer satisfaction	53
Aspect: Marketing Communications		
103	Generic Disclosures on Management Approach (DMA)	47, 54
417-3	Sale of banned or disputed products	54
Aspect: Customer Privacy		
103	Generic Disclosures on Management Approach (DMA)	47, 53
418-1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	53

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 2017.

In our opinion:

(a) the financial statements set out on pages 139 to 200 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 2017 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		
	1/1/2017	31/12/2017	11/1/2018	1/1/2017	31/12/2017	11/1/2018
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	–	–	–

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 2018, 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.

Directors' Statement (cont'd)

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 2018

Independent Auditors' Report

Members of the Company
Qian Hu Corporation Limited

Report on the audit of 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 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of profit or loss, statement of comprehensive income and statement of 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 139 to 200.

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 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and the financial performance and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation of biological assets ($9.4 million) **Refer to Note 6 to the financial statements**	
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.	***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.

Independent Auditors' Report (cont'd)

Members of the Company
Qian Hu Corporation Limited

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 ($30.9 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 $11.3 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 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 contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' Statement prior to the date of this auditors' report. The other information except for the Directors' Statement in the Annual Report ("the Reports") are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and 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 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of management and directors for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors’ Report (cont'd)

Members of the Company
Qian Hu Corporation Limited

- 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 Yeo Lik Khim.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
12 January 2018

Statements of Financial Position

As at 31 December 2017

	Note	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Assets					
Property, plant and equipment	4	9,598,646	8,749,943	4,948,185	5,348,168
Investment property	5	1,585,941	1,585,941	–	–
Biological assets	6	9,382,018	8,179,749	9,382,018	8,179,749
Intangible assets	7	3,350,713	889,380	3,350,713	889,380
Subsidiaries	8	–	–	3,006,721	2,380,785
Associate	9	–	277,624	–	412,600
Trade and other receivables	10	9,047,169	9,031,147	9,047,169	9,031,147
Non-current assets		32,964,487	28,713,784	29,734,806	26,241,829
Biological assets	6	96,750	66,780	96,750	66,780
Inventories	11	15,584,396	15,452,835	6,672,766	6,667,576
Trade and other receivables	10	21,863,999	24,706,560	21,311,179	24,325,645
Cash and cash equivalents	12	11,123,954	8,723,403	6,218,194	5,236,230
Current assets		48,669,099	48,949,578	34,298,889	36,296,231
Total assets		81,633,586	77,663,362	64,033,695	62,538,060
Equity					
Share capital	13	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	14	18,145,680	17,772,591	9,677,384	10,517,769
Equity attributable to owners of the Company		48,918,468	48,545,379	40,450,172	41,290,557
Non-controlling interests		2,716,178	1,948,389	–	–
Total equity		51,634,646	50,493,768	40,450,172	41,290,557
Liabilities					
Loans and borrowings	15	245,784	364,249	144,396	241,311
Deferred tax liabilities	16	57,390	49,703	–	–
Non-current liabilities		303,174	413,952	144,396	241,311
Loans and borrowings	15	16,039,130	15,205,094	15,617,193	14,771,094
Trade and other payables	17	13,336,678	11,242,930	7,614,477	6,027,641
Current tax payable		319,958	307,618	207,457	207,457
Current liabilities		29,695,766	26,755,642	23,439,127	21,006,192
Total liabilities		29,998,940	27,169,594	23,583,523	21,247,503
Total equity and liabilities		81,633,586	77,663,362	64,033,695	62,538,060

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

Statements of Profit or Loss

Year ended 31 December 2017

	Note	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Revenue	18	87,823,734	80,470,301	45,960,541	43,844,241
Cost of sales		(61,566,878)	(56,731,505)	(32,516,815)	(31,412,817)
Gross profit		26,256,856	23,738,796	13,443,726	12,431,424
Other income		119,476	301,153	373,855	541,641
Selling and distribution expenses		(1,533,299)	(1,435,429)	(578,089)	(702,391)
General and administrative expenses		(23,691,859)	(22,254,767)	(13,727,518)	(12,981,847)
Results from operating activities		1,151,174	349,753	(488,026)	(711,173)
Finance income		6,878	9,347	2,666	2,141
Finance costs		(386,918)	(339,429)	(352,240)	(302,810)
Net finance costs	19	(380,040)	(330,082)	(349,574)	(300,669)
Share of losses of associate, net of tax		(10,401)	(29,839)	–	–
Profit (Loss) before tax	20	760,733	(10,168)	(837,600)	(1,011,842)
Tax (expense) credit	21	(211,616)	332,353	(12,090)	380,000
Profit (Loss) for the year		549,117	322,185	(849,690)	(631,842)
Profit (Loss) attributable to:					
Owners of the Company		329,369	67,821	(849,690)	(631,842)
Non-controlling interests		219,748	254,364	–	–
Profit (Loss) for the year		549,117	322,185	(849,690)	(631,842)

	Note	Group 2017	Group 2016
Earnings per share (cents)	23		
Basic		0.29	0.06
Diluted		0.29	0.06

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

Statements of Comprehensive Income

Year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Profit (Loss) for the year	549,117	322,185	(849,690)	(631,842)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations, net of tax	(10,939)	90,857	9,305	22,576
Other comprehensive income for the year, net of tax	(10,939)	90,857	9,305	22,576
Total comprehensive income for the year	538,178	413,042	(840,385)	(609,266)
Total comprehensive income attributable to:				
Owners of the Company	373,089	99,739	(840,385)	(609,266)
Non-controlling interests	165,089	313,303	–	–
Total comprehensive income for the year	538,178	413,042	(840,385)	(609,266)

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

Statements of Changes in Equity

Year ended 31 December 2017

	Note	Share capital $	Translation reserve $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
		Attributable to owners of the Company					
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 declared	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.

	Attributable to owners of the Company					
	Share capital $	Translation reserve $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Group						
At 1 January 2017	30,772,788	(1,037,191)	18,809,782	48,545,379	1,948,389	50,493,768
Total comprehensive income for the year						
Profit for the year	–	–	329,369	329,369	219,748	549,117
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	–	43,720	–	43,720	(54,659)	(10,939)
Total other comprehensive income	–	43,720	–	43,720	(54,659)	(10,939)
Total comprehensive income for the year	–	43,720	329,369	373,089	165,089	538,178
Transactions with owners, recognised directly in equity						
Change in ownership interests						
Incorporation of subsidiary with non-controlling interests	–	–	–	–	602,700	602,700
Total transactions with owners of the Company	–	–	–	–	602,700	602,700
At 31 December 2017	30,772,788	(993,471)	19,139,151	48,918,468	2,716,178	51,634,646

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

Statements of Changes in Equity (cont'd)

Year ended 31 December 2017

	Note	Share capital $	Retained earnings $	Translation reserve $	Total equity $
Company					
At 1 January 2016		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 declared	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
Total comprehensive income for the year					
Loss for the year		–	(849,690)	–	(849,690)
Other comprehensive income					
Foreign currency translation differences for foreign operations, net of tax		–	–	9,305	9,305
Total other comprehensive income		–	–	9,305	9,305
Total comprehensive income for the year		–	(849,690)	9,305	(840,385)
At 31 December 2017		30,772,788	9,687,330	(9,946)	40,450,172

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

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	2017 $	2016 $
Cash flows from operating activities		
Profit (Loss) before tax	760,733	(10,168)
Adjustments for:		
Allowances for (Write back of allowance for)		
- doubtful trade receivables	615,602	177,817
- inventory obsolescence	(56,000)	(17,000)
Amortisation of intangible assets	38,667	3,668
Bad trade receivables written off	6,815	44,334
Depreciation of		
- property, plant and equipment	1,658,914	1,666,899
- biological assets	197,731	187,254
Property, plant and equipment written off	296	435
Loss (gain) on disposal of		
- property, plant and equipment	(62,981)	(78,310)
- biological assets	–	(1,420)
- an associate	45,723	–
Change in fair value less estimated point-of-sale costs of breeder stocks	6,270	–
Share of losses of associate	10,401	29,839
Finance income	(6,878)	(9,347)
Finance costs	386,918	339,429
	3,602,211	2,333,430
Changes in working capital		
Inventories	(20,167)	769,812
Breeder stocks	(36,240)	(42,000)
Trade and other receivables	822,461	(84,932)
Trade and other payables	2,531,014	284,061
Cash generated from operations	6,899,279	3,260,371
Tax paid	(174,256)	(184,622)
Net cash from operating activities	6,725,023	3,075,749
Cash flows from investing activities		
Purchase of		
- property, plant and equipment	(2,445,535)	(1,854,627)
- intangible asset	(2,500,000)	(550,000)
- investment property	–	(49,941)
Interest received	6,878	9,347
Proceeds from disposal of		
- property, plant and equipment	81,815	87,842
- an associate	221,500	–
Acquisition of a subsidiary, net of cash and cash equivalents	–	7,947
Net cash used in investing activities	(4,635,342)	(2,349,432)

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

Consolidated Statement of Cash Flows (cont'd)

Year ended 31 December 2017

	Note	2017 $	2016 $
Cash flows from financing activities			
Dividends paid to			
- owners of the Company		–	(227,052)
- non-controlling interests		(82,000)	–
Drawdown of bank term loans		500,000	1,000,000
Capital contribution from non-controlling interests		602,700	–
Interest paid		(385,287)	(338,476)
Repayment of			
- finance lease liabilities		(253,102)	(146,474)
- bank term loans		(78,720)	(77,568)
Net cash from financing activities		303,591	210,430
Net increase in cash and cash equivalents		2,393,272	936,747
Cash and cash equivalents at beginning of year		8,723,403	7,771,930
Effect of exchange rate fluctuations on cash held		7,279	14,726
Cash and cash equivalents at end of year	12	11,123,954	8,723,403

Significant non-cash transaction

During the year, brooder stocks with cost of $1,400,000 was transferred to the Group for the partial settlement of outstanding debts due from a debtor.

In prior year, an investment property with cost of $1,585,941 was transferred to the Group, of which $1,536,000 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 2018.

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 2017 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 2017 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 these valuations meet the requirements of FRSs, including the level in the fair value hierarchy in which the 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.

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.

3.2 Foreign currency

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 translated 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 translation 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 currently has a legally enforceable right to offset the amounts and intends either to settle them 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 or 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 legally enforceable right to offset the amounts and intends either to settle them 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.

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.

Notes to the Financial Statements (cont'd)

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.

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 an 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.

Notes to the Financial Statements (cont'd)

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.

3.10 Impairment (continued)

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.

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 or 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.

3.11 Employee benefits (continued)

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.

3.16 Lease payments (continued)

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).

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.

Notes to the Financial Statements (cont'd)

3.17 Tax (continued)

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.

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 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I), and IFRS issued by the International Accounting Standards Board. As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

3.20 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)
Applicable to 2018 financial statements (continued)

In addition to the adoption of the new framework, the following new IFRSs, amendments to and interpretations of IFRS are effective from the same date.

- IFRS 15 *Revenue from Contracts with Customers* and Amendments to IFRS 15 *Clarifications to IFRS 15*;
- IFRS 9 *Financial Instruments*;
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2);
- *Transfers of Investment Property* (Amendments to IAS 40);
- *Deletion of short-term exemptions for first-time adopters* (Amendments to IFRS 1);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to IAS 28); and
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for IFRS 9 and SFRS(I) 1.

The assessment made by the entity is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment.

IFRS 1

When the Group adopts IFRS in 2018, the Group will apply IFRS 1 with 1 January 2017 as the date of transition for the Group and the Company. IFRS 1 generally requires that the Group applies IFRS on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because IFRS 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. IFRS 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in IFRS 1 to have any significant impact on the financial statements.

Foreign currency translation reserve (FCTR)

The Group considers that restating FCTR to comply with current IAS 21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group plans to elect the optional exemption in IFRS 1 to zerorise its cumulative FCTR for all foreign operations at the date of transition, and reclassify the cumulative FCTR of $1,037,191 as at 1 January 2017 determined in accordance with FRS at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

The Group expects the reclassification to result in an increase in cumulative FCTR by $993,471 and a reduction in retained earnings by the same amount as at 31 December 2017.

IFRS 15

IFRS 15 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.

The Group plans to adopt IFRS 15 in its financial statements for the year ending 31 December 2018. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of IFRS 15.

3.20 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

IFRS 9

IFRS 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied by the Group and the Company retrospectively. The Group and the Company plans to adopt the exemption in IFRS 1 allowing it not to restate comparative information in the 2018 IFRS financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

The expected impact on adoption of IFRS 9 are described below. The information below reflects the Group's and the Company's expectation of the implications arising from changes in the accounting treatment.

Impairment

IFRS 9 replaces the current incurred loss model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under IFRS 9, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group intends to apply the simplified approach and record lifetime ECL on all trade and other receivables. The Group expects a possible increase in impairment for trade and other receivables of $0.4 million as at 1 January 2018 with the adoption of IFRS 9.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

Applicable to financial statements for the year 2019 and thereafter

The following new IFRS, amendments to and interpretations of IFRS are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).

The Group is still in the process of assessing the impact of the new IFRSs, amendments to and interpretations of IFRSs on the financial statements.

3.20 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

IFRS 16

IFRS 16 replaces existing lease accounting guidance. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied. IFRS 16 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.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group and the Company also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under IFRS 16.

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under IFRS 16. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group is assessing its portfolio of leases to calculate the impending impact of transition to the new standard. Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

4 Property, plant and equipment

	Freehold land and buildings $	Leasehold land and buildings $	Leasehold improvements $	Motor vehicles $
Group				
Cost				
At 1 January 2016	624,000	9,794,069	1,963,470	2,642,135
Translation differences on consolidation	22,400	36,107	30,842	4,022
Additions	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
Translation differences on consolidation	15,080	(27,096)	(45,175)	8,742
Additions	613,926	775,732	139,481	456,375
Disposals/Write offs/Transfers	–	–	–	(371,691)
Reclassification	–	96,295	–	–
At 31 December 2017	1,644,362	11,343,727	2,377,312	3,140,129
Accumulated depreciation				
At 1 January 2016	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
Translation differences on consolidation	1,983	1,246	(4,079)	5,836
Depreciation charge for the year	187,434	247,930	189,042	349,350
Disposals/Write offs/Transfers	–	–	–	(353,127)
At 31 December 2017	322,824	7,889,416	1,570,147	1,933,049
Carrying amounts				
At 1 January 2016	543,592	2,477,486	882,282	638,094
At 31 December 2016	881,949	2,858,556	897,822	1,115,713
At 31 December 2017	1,321,538	3,454,311	807,165	1,207,080

Computers $	Furniture, fittings and office equipment $	Equipment and tools $	Machinery and equipment $	Electrical and installation $	Construction in-progress $	Total $
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
6,888	7,866	351	11,040	10,786	–	(11,518)
57,128	64,677	29,007	245,370	49,988	143,706	2,575,390
(3,409)	(739)	–	(169,958)	–	–	(545,797)
–	–	–	–	–	(96,295)	–
1,657,269	1,461,475	299,603	6,882,168	1,417,121	75,618	30,298,784
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
5,895	8,035	792	8,619	8,798	–	37,125
99,672	64,438	25,118	441,843	54,087	–	1,658,914
(3,299)	(355)	–	(169,886)	–	–	(526,667)
1,499,905	1,235,213	247,834	4,736,297	1,265,453	–	20,700,138
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
157,364	226,262	51,769	2,145,871	151,668	75,618	9,598,646

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 2016	8,940,534	723,040	1,171,530
Additions	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
Additions	58,232	7,200	157,637
Disposal	–	–	(222,594)
Translation differences	–	(6,143)	(790)
Reclassification	96,295	–	–
At 31 December 2017	9,763,681	746,590	1,467,123
Accumulated depreciation			
At 1 January 2016	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
Depreciation charge for the year	226,729	57,250	134,969
Disposal	–	–	(207,736)
Translation differences	–	(2,837)	(603)
At 31 December 2017	7,415,778	522,162	942,403
Carrying amounts			
At 1 January 2016	2,037,273	395,771	114,384
At 31 December 2016	2,420,105	277,784	517,097
At 31 December 2017	2,347,903	224,428	524,720

The carrying amounts of property, plant and equipment of the Group and the Company include amounts totalling $800,025 (2016: $849,254) and $345,564 (2016: $440,752) 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 $2,575,390 (2016: $2,296,450), of which $129,855 (2016: $441,823) were acquired under finance leases. Cash payments of $2,445,535 (2016: $1,854,627) were made to purchase property, plant and equipment.

Computers $	Furniture, fittings and office equipment $	Machinery and equipment $	Electrical and installation $	Construction in-progress $	Total $
1,097,088	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
18,482	8,331	44,936	–	143,706	438,524
(3,409)	(565)	(165)	–	–	(226,733)
(66)	(288)	(4,941)	–	–	(12,228)
–	–	–	–	(96,295)	–
936,075	523,062	4,149,630	425,924	75,618	18,087,703
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
30,478	20,256	339,740	9,613	–	819,035
(3,299)	(342)	(93)	–	–	(211,470)
(55)	(202)	(4,322)	–	–	(8,019)
889,071	477,763	2,491,184	401,157	–	13,139,518
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
47,004	45,299	1,658,446	24,767	75,618	4,948,185

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 2017 $	2016 $
Held by the Company					
- Leasehold buildings					
69 & 71 Jalan Lekar, Singapore	Fish farming	10 years from 11 November 2016	41,776	698,636	608,166
- Leasehold land and buildings					
78 Jalan Lekar, Singapore	Fish farming	20 years from 20 February 2008	19,343	1,649,267	1,811,939
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	43,025	46,500
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 2017 to 31 December 2018	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	345,883	391,951
Yan Dun Wen Yuan Village Hui Wen Town Weng Chang City Hainan, China	Fish farming	1 January 2017 to 30 April 2023	4,000	717,500	–
Held through subsidiaries					
- Freehold land and buildings					
761 Rangsit - Nakornayok 52 Road, Pachatipat, Tanyaburi, Pathumtani, 12130 Thailand	Residential	Freehold	444	99,940	108,578
Land No. 3903 Tambol Samreuan Amphur Meuang Ratchaburi Province 70000	Fish Farming	Freehold	44,800	1,221,598	773,371
				4,775,849	3,740,505

5 Investment property

	Group 2017 $	Group 2016 $
Cost		
At 1 January	1,585,941	–
Additions	–	1,585,941
At 31 December	1,585,941	1,585,941

Details of property held by the Group as at 31 December 2017 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:

	2017 $	2016 $
Rental income	–	89,600
Direct operating expenses on income generating investment property (excluding depreciation)	(1,235)	(1,976)

Fair value information

Fair value of investment property is categorised as follows:

	Level 3 2017 $	Level 3 2016 $
Group		
Land	1,585,941	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 Directors by making reference to the asking price of comparable properties in close proximity and adjusted for differences in key attributes such as property size and bargain discount. The significant unobservable inputs include adjustment to price per square feet at comparable properties and the discount factors.

6 Biological assets

	Brooder stocks Group and Company 2017 $	2016 $
Cost		
At 1 January	9,250,000	9,475,000
Additions	1,400,000	2,800,000
Disposals	–	(3,025,000)
At 31 December	10,650,000	9,250,000
Accumulated depreciation		
At 1 January	1,070,251	1,109,417
Depreciation charge for the year	197,731	187,254
Disposals	–	(226,420)
At 31 December	1,267,982	1,070,251
Net carrying amount		
At 31 December	9,382,018	8,179,749
Estimated quantity at year end	2,980	2,420

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 9,077 (2016: 4,051) of dragon fish.

	Breeder stocks Group and Company 2017 $	2016 $
At 1 January	66,780	24,780
Change in fair value less estimated point-of-sale costs	(6,270)	–
Decreases due to sales	(1,007,070)	(458,310)
Net increase due to births	1,043,310	500,310
At 31 December	96,750	66,780
Estimated quantity at year end	773	480

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 2017 was determined in a similar manner as in 2016. No impairment loss was required for the carrying amount of biological assets at 31 December 2017 and 31 December 2016 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	
	2017	2016	2017	2016	2017	2016
Biological assets	12.5%	11.0%	4.5 – 6.0	4.3	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.

6 Biological assets (continued)

Sensitivity analysis

The estimated recoverable amount of the brooder stock exceeded its carrying amount by approximately $114,000 (2016: $43,000). 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	
	2017	**2016**
	%	**%**
Production yield	(1.2)	(0.5)
Growth rate	(8.1)	(3.4)
Discount rate	1.2	0.5

7 Intangible assets

	Trademarks/ Customer acquisition costs/ Formulation rights $	Product listing fees $	Total $
Group and Company			
Cost			
At 1 January 2016	921,497	196,153	1,117,650
Addition	550,000	–	550,000
At 31 December 2016	1,471,497	196,153	1,667,650
Addition	2,500,000	–	2,500,000
At 31 December 2017	3,971,497	196,153	4,167,650
Accumulated amortisation			
At 1 January 2016	578,449	196,153	774,602
Amortisation for the year	3,668	–	3,668
At 31 December 2016	582,117	196,153	778,270
Amortisation for the year	38,667	–	38,667
At 31 December 2017	620,784	196,153	816,937
Carrying amounts			
At 1 January 2016	343,048	–	343,048
At 31 December 2016	889,380	–	889,380
At 31 December 2017	3,350,713	–	3,350,713

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

7 Intangible assets (continued)

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.

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 2017 was determined in a similar manner as in 2016. No impairment loss was required for the carrying amount of trademarks/customer acquisition costs at 31 December 2017 and 31 December 2016 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Pet food	12.5%	11.0%	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	
	2017	**2016**
	$	**$**
Unquoted equity investments, at cost	3,006,721	2,380,785

8 **Subsidiaries (continued)**

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and business	Ownership interest 2017 %	Ownership interest 2016 %	Cost of investment by the Company 2017 $	Cost of investment by the Company 2016 $
* 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	100	16,000	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	100	69,000	69,000
^ Qian Hu Aquaculture (Hainan) Co., Ltd	Farming of edible fish	People's Republic of China	51	51	625,936	– #
^ 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
					3,006,721	2,380,785

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.*

\# *Incorporated in December 2016 with a registered capital of RMB6 million. The Company had not made any capital contribution into this subsidiary as at 31 December 2016.*

♦ *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.

The Company also incorporated a 60% owned subsidiary, Tian Tian Fisheries (Hainan) Co., Ltd, with a registered capital of RMB3 million in November 2017. As at 31 December 2017, the Company had not made any capital contribution into this subsidiary.

In prior 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.

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

9 Associate

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Investment in associate, at cost	–	812,600	–	812,600
Impairment loss on investment	–	(221,779)	–	(400,000)
Share of post-acquisition losses	–	(313,197)	–	–
	–	277,624	–	412,600

Investment in associate at 31 December 2016 included goodwill of $134,289.

9 Associate (continued)

The Group has disposed of its entire equity interest in Arcadia Products PLC in the 4th quarter of 2017 for a cash consideration of $221,500. The Group and the Company recognised a loss of $45,723 and $191,100 respectively.

Details of the associate were 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	Nil (2016: 20%)

The associate was audited by other certified public accountants. This associate was 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 was not adjusted for the percentage of ownership held by the Group.

The financial information of the associate was as follows:

	2017 $	2016 $
Assets and liabilities		
Total assets	–	4,825,497
Total liabilities	–	2,966,494
Results		
Revenue	–	6,017,339
Expenses	–	6,203,760
Loss after taxation	–	(186,421)

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.

In prior year, management had performed 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.

The Group has disposed of its equity interest in the associate in December 2017.

10 Trade and other receivables

	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Trade receivables	27,081,111	27,614,275	19,421,876	20,262,308
Allowance for doubtful trade receivables	(2,352,700)	(2,377,481)	(2,157,007)	(2,289,290)
Net receivables	24,728,411	25,236,794	17,264,869	17,973,018
Deposits	305,421	276,012	38,753	45,182
Tax recoverable	38,048	51,910	–	–
Other receivables	3,566,492	4,309,724	2,781,841	4,180,894
Amounts due from:				
- subsidiaries (trade)	–	–	6,849,346	6,435,585
- subsidiaries (non-trade)	–	–	2,833,742	2,842,969
- associate (trade)	–	848,973	–	848,973
Loans and receivables	28,638,372	30,723,413	29,768,551	32,326,621
Deposits for purchase of property, plant and equipment	632,390	1,212,651	–	263,764
Prepayments	1,114,194	1,165,334	169,527	170,586
Advances to suppliers	526,212	636,309	420,270	595,821
	30,911,168	33,737,707	30,358,348	33,356,792
Non-current	9,047,169	9,031,147	9,047,169	9,031,147
Current	21,863,999	24,706,560	21,311,179	24,325,645
	30,911,168	33,737,707	30,358,348	33,356,792

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 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
US Dollar	3,478,176	2,075,922	2,140,728	840,308
Euro	369,171	48,261	331,618	3,427
Malaysian Ringgit	1,799,094	1,447,082	–	–
Thai Baht	969,333	929,233	–	–
Chinese Renminbi	2,563,263	2,916,070	1,389,409	1,667,139
Indonesian Rupiah	31,015	187,674	–	–

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 2017 $	Allowance for doubtful loans and receivables 2017 $	Gross loans and receivables 2016 $	Allowance for doubtful loans and receivables 2016 $
Group				
Not past due	16,574,472	–	8,160,918	–
Past due 1 – 30 days	3,715,934	–	3,598,096	–
Past due 31 – 60 days	1,590,484	–	1,562,810	–
Past due 61 – 90 days	1,545,987	–	2,950,105	–
Past due more than 90 days	7,564,195	2,352,700	16,828,965	2,377,481
	30,991,072	2,352,700	33,100,894	2,377,481
Company				
Not past due	22,420,924	–	14,219,777	–
Past due 1 – 30 days	1,756,628	–	1,598,956	–
Past due 31 – 60 days	816,650	–	980,258	–
Past due 61 – 90 days	555,935	–	1,953,968	–
Past due more than 90 days	6,375,421	2,157,007	15,862,952	2,289,290
	31,925,558	2,157,007	34,615,911	2,289,290

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

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
At 1 January	2,377,481	2,360,006	2,289,290	2,283,520
Allowance for doubtful trade receivables recognised	615,602	177,817	486,993	163,848
Amount written off against allowance made	(642,089)	(159,680)	(619,276)	(158,078)
Translation differences on consolidation	1,706	(662)	–	–
At 31 December	2,352,700	2,377,481	2,157,007	2,289,290

Trade and other receivables of the Group and the Company as at 31 December 2017 include approximately $10.0 million (2016: $9.8 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 $8.7 million (2016: $8.5 million) and non-trade receivables of $1.3 million (2016: $1.3 million), of which the recoverability of $7.3 million (2016: $7.7 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 the amounts are substantially guaranteed as stated above.

10 Trade and other receivables (continued)

In 2016, the Company entered into a repayment arrangement with GZQH and consequently, $0.8 million of the receivables as of 31 December 2016 was due on 31 December 2017 and the remaining amount of $9.0 million was due on 31 March 2018. During the financial year, the Company has revised the repayment agreement with GZQH whereby $1.0 million of the receivables as of 31 December 2017 is due on 31 December 2018 and the remaining amount of $9.0 million is due on 31 January 2019.

Included in other receivables of the Group and Company as at 31 December 2017 is a non-trade amount of approximately $1.4 million (2016: $2.8 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	
	2017 $	2016 $	2017 $	2016 $
Fish	2,997,642	2,742,489	2,151,708	2,028,362
Accessories	11,712,204	11,817,850	4,521,058	4,639,214
Raw materials – plastic products	315,641	284,783	–	–
Finished goods – plastic products	558,909	607,713	–	–
	15,584,396	15,452,835	6,672,766	6,667,576

12 Cash and cash equivalents

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
Cash and bank balances	11,123,954	8,723,403	6,218,194	5,236,230

Cash and bank balances earn interests at floating rates based on daily bank deposits rates from 0% to 0.1% (2016: 0% to 0.1%) per annum.

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

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
US Dollar	1,722,644	1,032,937	1,275,215	945,745
Euro	57,816	100,412	20,549	30,596
Malaysian Ringgit	649,263	497,922	–	–
Thai Baht	597,397	906,755	–	–
Chinese Renminbi	2,088,412	1,050,858	60,295	41,462
Indonesian Rupiah	17,457	22,195	–	–

13 Share capital

	Company			
	2017	2017	2016	2016
		No. of		No. of
	$	shares	$	shares
Fully paid ordinary shares, with no par value:				
At 1 January	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	
	2017	2016	2017	2016
	$	$	$	$
Net debt	18,497,638	18,088,871	17,157,872	15,803,816
Total equity	51,634,646	50,493,768	40,450,172	41,290,557
Total capital	70,132,284	68,582,639	57,608,044	57,094,373
Gearing ratio	0.26	0.26	0.30	0.28

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2016 and 2017. 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	
	2017	2016	2017	2016
	$	$	$	$
Retained earnings	19,139,151	18,809,782	9,687,330	10,537,020
Translation reserve	(993,471)	(1,037,191)	(9,946)	(19,251)
	18,145,680	17,772,591	9,677,384	10,517,769

14 Reserves (continued)

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	
	2017 $	2016 $	2017 $	2016 $
Non-current liabilities				
Finance lease liabilities	245,784	364,249	144,396	241,311
	245,784	364,249	144,396	241,311
Current liabilities				
Singapore dollar short-term loans (unsecured)	15,000,000	14,500,000	15,000,000	14,500,000
Thai Baht fixed rate loan (secured)	65,600	142,208	–	–
Bills payable to banks (unsecured)	765,636	353,721	531,948	196,696
Finance lease liabilities	207,894	209,165	85,245	74,398
	16,039,130	15,205,094	15,617,193	14,771,094
Total borrowings	16,284,914	15,569,343	15,761,589	15,012,405

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 1.97% to 3.00% (2016: 1.69% to 2.00%) 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 5.04% (2016: 5.09%) and 5.25% (2016: 5.25%) respectively. These bills mature within 1 to 4 months from the reporting date.

Finance lease liabilities

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

	2017			2016		
	Principal $	Interest $	Payments $	Principal $	Interest $	Payments $
Group						
Repayable within 1 year	207,894	25,016	232,910	209,165	23,253	232,418
Repayable after 1 year but within 5 years	245,784	33,155	278,939	364,249	47,408	411,657
	453,678	58,171	511,849	573,414	70,661	644,075
Company						
Repayable within 1 year	85,245	9,987	95,232	74,398	8,665	83,063
Repayable after 1 year but within 5 years	144,396	18,637	163,033	241,311	30,084	271,395
	229,641	28,624	258,265	315,709	38,749	354,458

15 Loans and borrowings (continued)

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 4.90% (2016: 4.91%) and 5.73% (2016: 5.38%) 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					
2017					
Bills payable to banks	765,636	804,224	804,224	–	–
S$ floating rate loans	15,000,000	15,372,750	15,372,750	–	–
Thai Baht fixed rate loan	65,600	70,028	70,028	–	–
Finance lease liabilities	453,678	511,849	232,910	278,939	–
Trade and other payables	13,336,678	13,336,578	13,336,578	–	–
	29,621,592	30,095,429	29,816,490	278,939	–
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	–
Company					
2017					
Bills payable to banks	531,948	559,875	559,875	–	–
S$ floating rate loans	15,000,000	15,372,750	15,372,750	–	–
Finance lease liabilities	229,641	258,265	95,232	163,033	–
Trade and other payables	7,614,477	7,614,477	7,614,477	–	–
	23,376,066	23,805,367	23,642,334	163,033	–
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	–

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 (2016: $1,700,000), which fall within the 1 year category (refer to Note 27).

16 Deferred tax liabilities

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Deferred tax liabilities				
Property, plant and equipment and biological assets	57,390	49,703	–	–

Movement in deferred tax liabilities

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
At 1 January	49,703	428,582	–	380,000
Recognised in profit or loss	7,260	(378,708)	–	(380,000)
Translation differences on consolidation	427	(171)	–	–
At 31 December	57,390	49,703	–	–

Unrecognised deferred tax assets

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Deductible temporary differences	4,231,104	4,644,199	4,231,104	4,644,199
Tax losses	5,717,316	4,934,654	5,357,874	4,646,976
	9,948,420	9,578,853	9,588,978	9,291,175

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	
	2017	2016	2017	2016
	$	$	$	$
Trade payables	7,347,152	7,442,284	2,347,892	2,679,552
Accrued operating expenses	358,408	529,817	259,746	451,629
Other payables	3,980,737	1,655,057	3,004,838	1,291,925
Accrued staff costs	1,336,338	1,239,982	952,522	807,707
Advance received from customers	314,043	375,790	219,550	112,662
Amounts due to subsidiaries				
- trade	–	–	142,329	144,334
- non-trade	–	–	687,600	539,832
	13,336,678	11,242,930	7,614,477	6,027,641

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.

Notes to the Financial Statements (cont'd)

17 Trade and other payables (continued)

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

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
US Dollar	426,609	1,966,181	277,588	1,817,625
Euro	8	4,866	8	4,866
Malaysian Ringgit	438,918	544,103	6,056	7,183
Thai Baht	151,284	357,826	–	–
Chinese Renminbi	2,876,421	3,156,553	508,760	849,915
Australian Dollar	293,088	9,871	293,088	9,871
Hong Kong Dollar	92,736	95,767	92,736	95,767
New Taiwan Dollar	250,548	89,656	250,548	44,585
Indonesian Rupiah	144,027	132,240	–	–

18 Revenue

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
Sale of goods				
- fish	35,167,559	31,678,375	23,660,904	21,714,265
- accessories	40,935,863	37,648,510	22,299,637	22,129,976
- plastics	11,720,312	11,143,416	–	–
	87,823,734	80,470,301	45,960,541	43,844,241

19 Net finance costs

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
Interest income				
- bank deposits	6,878	9,347	2,666	2,141
Interest expense				
- bank loans and overdrafts	(336,930)	(289,481)	(330,168)	(277,789)
- bills payable to banks	(21,478)	(28,765)	(11,947)	(19,376)
- finance lease liabilities	(28,510)	(21,183)	(10,125)	(5,645)
	(386,918)	(339,429)	(352,240)	(302,810)
Net finance costs	(380,040)	(330,082)	(349,574)	(300,669)

20 Profit (Loss) before tax

The following items have been included in arriving at profit (loss) before tax:

	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Allowance for (Write back of allowance for)				
- doubtful trade receivables	615,602	177,817	486,993	163,848
- inventory obsolescence	(56,000)	(17,000)	(56,000)	(17,000)
Bad trade receivables written off	6,815	44,334	3,236	35,479
Auditors' remuneration				
- auditors of the Company	120,370	112,323	104,000	97,000
- other auditors	17,709	18,527	–	–
Non-audit fees				
- other auditors	31,080	21,050	23,120	14,160
Depreciation of				
- property, plant and equipment	1,658,914	1,666,899	819,035	987,151
- biological assets	197,731	187,254	197,731	187,254
Amortisation of intangible asset	38,667	3,668	38,667	3,668
Exchange loss, net	245,219	14,836	130,013	70,837
Operating lease expenses	1,173,664	1,115,612	256,047	217,769
Property, plant and equipment written off	296	435	296	112
Staff costs				
- salaries and bonus	12,416,383	12,061,164	7,692,572	7,456,628
- provident fund contributions	854,402	824,182	531,716	512,593
- staff welfare benefits	1,228,774	937,028	660,211	543,083
Directors' fees				
- directors of the Company	106,000	105,000	106,000	105,000
Change in fair value less estimated point-of-sale costs of breeder stocks	6,270	–	–	–
Other (income) expenses				
- gain on disposal of property, plant and equipment	(62,981)	(78,310)	(9,334)	(17,947)
- gain on disposal of biological assets	–	(1,420)	–	(1,420)
- dividend income received from subsidiaries	–	–	(520,900)	(400,000)
- loss on disposal of an associate	45,723	–	191,100	–
- sundry income	(102,218)	(221,423)	(34,721)	(122,274)

21 Tax expense (credit)

	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Tax recognised in profit or loss				
Current tax expense				
Current year	228,725	102,543	12,090	–
Over provision in respect of prior years	(24,369)	(56,188)	–	–
	204,356	46,355	12,090	–
Deferred tax expense (credit)				
Origination and reversal of temporary differences	7,260	1,292	–	–
Over provision in respect of prior years	–	(380,000)	–	(380,000)
	7,260	(378,708)	–	(380,000)
Total tax expense (credit)	211,616	(332,353)	12,090	(380,000)
Reconciliation of effective tax rate				
Profit (Loss) before tax	760,733	(10,168)	(837,600)	(1,011,842)
Tax using Singapore tax rate of 17% (2016: 17%)	129,325	(1,729)	(142,392)	(172,013)
Effect of tax rates in foreign jurisdictions	16,354	4,584	–	–
Expenses not deductible for tax purposes	19,901	77,529	50,000	56,870
Income not subject to tax	(197,996)	(196,473)	(85,493)	(68,000)
Change in unrecognised temporary differences	90,819	254,558	–	183,143
Recognition of tax effect of previously unrecognised tax losses	165,492	(17,690)	177,885	–
Withholding tax	12,090	–	12,090	–
Over provision in respect of prior years	(24,369)	(436,188)	–	(380,000)
Others	–	(16,944)	–	–
Tax expense	211,616	(332,353)	12,090	(380,000)

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.

22 Directors' remuneration

Company's directors receiving remuneration from the Group:

	Group Number of directors 2017 $	Group Number of directors 2016 $
Remuneration of:		
$500,000 and above	–	–
$250,000 to $499,999	4	4
Below $250,000	4	4
	8	8

22 Directors' remuneration (continued)

Names of director	Salary $	Bonus $	Directors' fees $	Total $
Group				
2017				
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	–	–	26,000	26,000
Sharon Yeoh Kar Choo	–	–	26,000	26,000
Ling Kai Huat	–	–	24,000	24,000
Total	1,134,960	–	106,000	1,240,960
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

23 Earnings per share

	Group	
	2016	**2015**
Profit attributable to equity holders of the Company ($)	329,369	67,821
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)	0.29	0.06

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 2017 and 31 December 2016.

24 Dividends

	Group and Company	
	2017	2016
	$	$
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

The directors have proposed a final dividend of $0.002 (2016: Nil) per ordinary share, one-tier exempt, totalling $227,053 (2016: Nil) in respect of the financial year ended 31 December 2017. This proposed final tax exempt dividend has not been recognised as at year end and will be submitted to shareholders' approval at the forthcoming Annual General Meeting of the Company in 2018.

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	
	2017	2016
	$	$
Short-term employee benefits		
- directors of the Company	1,240,960	1,239,960
- other key management personnel	1,323,391	1,256,920
	2,564,351	2,496,880

Other related party transactions

As mentioned in Note 10, trade and other receivables amounting to approximately $7.3 million (2016: $7.7 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.

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	
	2017 $	2016 $	2017 $	2016 $
Sales to subsidiaries	–	–	3,259,693	3,505,856
Purchases from subsidiaries	–	–	1,076,462	1,633,588
Sales to associate	175,338	606,667	175,338	606,667
Purchases from associate	33,824	11,186	33,824	11,186
Guarantee fee paid to a major shareholder of the Company	31,000	33,000	31,000	33,000
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
2017					
Revenue					
External revenue	35,168	40,936	11,720	–	87,824
Inter-segment revenue	1,753	4,860	138	(6,751)	–
Total revenue	36,921	45,796	11,858	(6,751)	87,824
Results					
EBITDA*	2,317	2,004	1,161	(2,390)	3,092
Depreciation and amortisation	(1,218)	(479)	(198)	–	(1,895)
Interest expense	(17)	(36)	(4)	(330)	(387)
Interest income	5	2	–	–	7
Operating profit	1,087	1,491	959	(2,720)	817
Loss on disposal of an associate	–	(46)	–	–	(46)
Share of losses of associate	–	(10)	–	–	(10)
Profit (Loss) before tax	1,087	1,435	959	(2,720)	761
Tax credit	(51)	(161)	–	–	(212)
Profit (Loss) for the year	1,036	1,274	959	(2,720)	549
Assets and liabilities					
Segment assets	38,070	37,120	5,039	1,405	81,634
Segment liabilities	7,015	5,324	2,152	15,508	29,999
Other segment information					
Expenditure for non-current assets	4,343	431	301	–	5,075
Other non-cash items:					
Bad trade receivables written off	7	–	–	–	7
Allowance for (Write back of allowance for)					
- doubtful trade receivables	122	491	3	–	616
- inventory obsolescence	–	(56)	–	–	(56)
Gain on disposal of property, plant and equipment	(29)	(3)	(31)	–	(63)
Change in fair value less estimated point-of-sale costs of breeder stocks	6	–	–	–	6

26 Operating segments (continued)
Information about reportable segments (continued)

	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)

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

Notes to the Financial Statements (cont'd)

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
2017					
Revenue from external customers	24,508	48,787	8,291	6,238	87,824
Segment non-current assets	27,101	5,863	–	–	32,964
Segment assets	54,207	27,427	–	–	81,634
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

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.

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.

Notes to the Financial Statements (cont'd)

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 2017		
US Dollar	(477,421)	(313,836)
Euro	(42,698)	(35,216)
Malaysian Ringgit	(200,944)	606
Thai Baht	(141,545)	–
Chinese Renminbi	(177,525)	(113,481)
Australian Dollar	29,309	29,309
Hong Kong Dollar	9,274	9,274
New Taiwan Dollar	25,055	25,055
Indonesian Rupiah	9,556	–
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)	–

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.

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.

27 Financial risk management (continued)

Interest rate risk (continued)

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			
2017			
Financial liabilities			
Fixed rate			
Thai Baht loan	66	–	66
Bills payable to banks	766	–	766
Finance lease liabilities	208	246	454
Floating rate			
Bank term loans	15,000	–	15,000
Company			
2017			
Financial liabilities			
Fixed rate			
Bills payable to banks	532	–	532
Finance lease liabilities	85	145	230
Floating rate			
Bank term loans	15,000	–	15,000
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

Notes to the Financial Statements (cont'd)

27 Financial risk management (continued)

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 2017		
Floating rate instruments	(150,000)	150,000
31 December 2016		
Floating rate instruments	(145,000)	145,000
Company		
31 December 2017		
Floating rate instruments	(150,000)	150,000
31 December 2016		
Floating rate instruments	(145,000)	145,000

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 (2016: $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 assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

27 Financial risk management (continued)

Accounting classifications and fair values (continued)

	Loans and receivables $	Liabilities at amortised cost $	Total carrying amount $
2017			
Group			
Financial assets			
Trade and other receivables #	28,638,372	–	28,638,372
Cash and cash equivalents	11,123,954	–	11,123,954
	39,762,326	–	39,762,326
Financial liabilities			
Finance lease liabilities	–	(453,678)	(453,678)
Bank term loans	–	(15,065,600)	(15,065,600)
Bills payable to banks	–	(765,636)	(765,636)
Trade and other payables	–	(13,336,678)	(13,336,678)
	–	(29,621,592)	(29,621,592)
Company			
Financial assets			
Trade and other receivables #	29,768,551	–	29,768,551
Cash and cash equivalents	6,218,194	–	6,218,194
	35,986,745	–	35,986,745
Financial liabilities			
Finance lease liabilities	–	(229,641)	(229,641)
Bank term loans	–	(15,000,000)	(15,000,000)
Bills payable to banks	–	(531,948)	(531,948)
Trade and other payables	–	(7,614,477)	(7,614,477)
	–	(23,376,066)	(23,376,066)

27 Financial risk management (continued)

Accounting classifications and fair values (continued)

	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)
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)

Excludes prepayments, advances to suppliers and deposits for purchase of property, plant and equipment.

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				
2017				
Breeder stocks	–	–	96,750	96,750
2016				
Breeder stocks	–	–	66,780	66,780

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 2017 $	Group 2016 $
Payable:		
- Within 1 year	81,555	66,487
- After 1 year but within 5 years	47,558	38,358
	129,113	104,845

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Statistics of Shareholders

As at 5 February 2018

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	201	8.18	7,223	0.00
100 - 1,000	416	16.93	202,410	0.18
1,001 - 10,000	1,087	44.22	5,061,110	4.46
10,001 - 1,000,000	733	29.82	34,568,271	30.45
1,000,001 and above	21	0.85	73,687,453	64.91
Total	**2,458**	**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	Simon Seah Seow Kee	2,931,550	2.58
9	Choo Chee Kiong	2,500,000	2.20
10	Hong Leong Finance Nominees Pte Ltd	2,469,500	2.18
11	Yap Chew Ring	2,424,475	2.14
12	Wong Bei Keen	1,827,500	1.61
13	Phillip Securities Pte Ltd	1,805,633	1.59
14	Yap Hey Cha	1,750,000	1.54
15	Ang Kim Sua	1,723,500	1.52
16	Yap Kim Chuan	1,505,498	1.33
17	Tan Boon Kim	1,330,581	1.17
18	Lim Yew Hoe	1,293,750	1.14
19	DBS Nominees Pte Ltd	1,259,128	1.11
20	Royal Inst of Construction Economists Pte Ltd	1,225,200	1.08
		72,597,453	**63.95**

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, 44.42% of the issued share capital of the Company was held in the hands of the public as at 5 February 2018. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Wednesday, 28 March 2018 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 2017 and the Auditors' Report thereon. **[Resolution 1]**

2. To declare a final dividend of 0.2 cents Singapore Dollar per ordinary share one-tier tax exempt for the financial year ended 31 December 2017. **[Resolution 2]**

3. To re-elect Mr Kenny Yap Kim Lee, who is retiring by rotation in accordance with Regulation 89 of the Company's Constitution, as Director of the Company. **[Resolution 3]**

4. To re-elect Mr Alvin Yap Ah Seng, who is retiring by rotation in accordance with Regulation 89 of the Company's Constitution, as Director of the Company. **[Resolution 4]**

5. To re-elect Mr Tan Tow Ee, 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 5]**

6. To approve the sum of S$106,000 as Directors' fees for the financial year ended 31 December 2017 (2016: S$105,000). **[Resolution 6]**

7. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 7]**

8. 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:-

9. **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 and subsidiary holdings, 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 10% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, 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 and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holding, 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 (b)]** **[Resolution 8]**

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
28 February 2018

Notice of Annual General Meeting (cont'd)

Explanatory Notes:

(a) Mr Tan Tow Ee, if re-elected, will remain as a member of the Company's Remuneration Committee and will also continue to remain as Chairman of the Audit Committee and the Risk Management Committee. Mr Tan Tow Ee will be considered as an Independent Director of the Company.

(b) The ordinary resolution 8, under item 9 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 and subsidiary holdings 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 10% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company, as more particularly set out in the resolution.

Notes:

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.

Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 13 April 2018 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 12 April 2018 will be registered to determine shareholders' entitlements to the said dividend.

Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 12 April 2018 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Nineteenth Annual General Meeting to be held on 28 March 2018, will be paid on 25 April 2018.

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
28 February 2018

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 28 March 2018. 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 AGM on **28 March 2018,** 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.RegistrationNo.__________________

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, 28 March 2018 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 2017		
2	Payment of proposed final dividend		
3	Re-election of Mr Kenny Yap Kim Lee as director		
4	Re-election of Mr Alvin Yap Ah Seng as director		
5	Re-election of Mr Tan Tow Ee as director		
6	Approval of directors' fees		
7	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
8	Authority to issue shares		

* *Please indicate your vote "For" or "Against" with a "✓" within the boxes provided.*

Dated this __________________ day of __________________ 2018

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

Total Number of Shares Held

IMPORTANT
PLEASE READ NOTES OVERLEAF

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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 2018.

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