



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

FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Note	Group		Change %
		3 months ended 31 Mar		
		2017 \$'000	2016 \$'000	
Revenue		21,575	19,611	10.0
Cost of sales		(15,328)	(13,671)	12.1
Gross profit		6,247	5,940	5.2
Other income	i	30	66	(54.5)
		6,277	6,006	4.5
Selling & distribution expenses	ii	(313)	(296)	5.7
General & administrative expenses	ii	(5,713)	(5,606)	1.9
Results from operating activities	iii	251	104	141.3
Finance income	iv	1	1	-
Finance costs	iv	(81)	(91)	(11.0)
		171	14	NM
Share of profits (losses) of associate		4	(12)	133.3
Profit before tax		175	2	NM
Tax (expense) credit	v	(51)	77	166.2
Profit for the period		124	79	57.0
Profit attributable to:				
Owners of the Company		36	12	200.0
Non-controlling interests		88	67	31.3
Profit for the period		124	79	57.0
Gross profit margin		29.0%	30.3%	
Net profit margin		0.6%	0.4%	
Effective tax rate		31.4%	NM	

NM: Not meaningful



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STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Group		
	3 months ended 31 Mar		
	2017	2016	Change
	\$'000	\$'000	%
Profit for the period	124	79	57.0
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences			
- foreign operations, net of tax	(30)	(24)	25.0
Other comprehensive income for the period, net of tax	(30)	(24)	25.0
Total comprehensive income for the period	94	55	70.9
Total comprehensive income attributable to:			
Owners of the Company	(3)	17	(117.6)
Non-controlling interests	97	38	155.3
Total comprehensive income for the period	94	55	70.9

Notes to Statement of Profit or Loss

(i) **Other income**

Other income comprises:

	Group	
	3 months ended 31 Mar	
	2017	2016
	\$'000	\$'000
(Loss) Gain on disposal of property, plant and equipment	(3)	16
Sundry income	33	50
	30	66

(ii) **Selling & distribution expenses** – increased by \$17K or 5.7%

General & administrative expenses – increased by \$107K or 1.9%

Despite higher revenue and the broad-spectrum increase in operating costs (e.g. utilities costs) as a result of elevated inflationary pressure, the operating expenses totalled in the current quarter is comparable to its corresponding period in 2016, mainly due to conscientious efforts made to contain operating costs, which was in accordance with the Group's objective to be more productive and efficient in the long run.



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

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group	
	3 months ended 31 Mar	
	2017	2016
	\$'000	\$'000
Auditors' remuneration		
- auditors of the Company	27	27
- other auditors	3	3
Non-audit fees		
- other auditors	5	-
Directors' fees		
- directors of the Company	25	25
Directors' remuneration		
- directors of the Company	284	284
- directors of subsidiaries	91	88
Amortisation of intangible asset	6	-
Bad trade receivables written off	3	16
Depreciation of		
- property, plant and equipment	412	381
- brooder stocks	47	47
Allowance for (Write back of allowance for)		
- doubtful trade receivables	49	68
- inventory obsolescence	-	(17)
Operating lease expenses	281	277
Personnel expenses *	3,374	3,337
Exchange loss, net	80	216

* Include directors' remuneration.

(iv) **Financial income**
Financial costs

	Group	
	3 months ended 31 Mar	
	2017	2016
	\$'000	\$'000
Interest expense		
- bank loans and overdrafts	71	76
- bills payable to banks	4	7
- finance lease liabilities	6	8
	81	91
Interest income		
- bank deposits	(1)	(1)
Net finance costs	80	90



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

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

	Group	
	3 months ended 31 Mar	
	2017	2016
	\$'000	\$'000
Current tax expense		
- current year	55	23
- over provision in respect of prior years	(4)	-
Deferred tax		
- over provision in respect of prior years	-	(100)
	51	(77)

The effective tax rate registered for the current quarter and its corresponding period in 2016 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 contributions from entities with a higher tax rate.



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

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	\$	\$	\$	\$
Assets				
Property, plant and equipment	8,965,819	8,749,943	5,158,848	5,348,168
Investment property	1,585,941	1,585,941	-	-
Intangible assets	883,880	889,380	883,880	889,380
Brooder stocks	8,383,083	8,179,749	8,383,083	8,179,749
Investments in subsidiaries	-	-	2,380,785	2,380,785
Investment in associate	281,376	277,624	412,600	412,600
Trade and other receivables	9,031,147	9,031,147	9,031,147	9,031,147
Non-current assets	29,131,246	28,713,784	26,250,343	26,241,829
Breeder stocks	96,000	66,780	96,000	66,780
Inventories	15,925,318	15,452,835	7,118,605	6,667,576
Trade receivables	16,743,360	17,559,155	9,288,870	10,295,379
Other receivables, deposits and prepayments	6,558,034	6,298,432	4,158,607	3,902,739
Due from				
- subsidiaries (trade)	-	-	6,576,635	6,435,585
- subsidiaries (non-trade)	-	-	2,842,969	2,842,969
- associate (trade)	903,695	848,973	903,695	848,973
Cash and bank balances	9,210,456	8,723,403	5,911,947	5,236,230
Current assets	49,436,863	48,949,578	36,897,328	36,296,231
Total assets	78,568,109	77,663,362	63,147,671	62,538,060
Equity				
Share capital	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	17,769,968	17,772,591	10,291,150	10,517,769
Equity attributable to owners of the Company	48,542,756	48,545,379	41,063,938	41,290,557
Non-controlling interests	2,045,158	1,948,389	-	-
Total equity	50,587,914	50,493,768	41,063,938	41,290,557
Liabilities				
Loans and borrowings	311,534	364,249	219,999	241,311
Deferred tax liabilities	49,276	49,703	-	-
Non-current liabilities	360,810	413,952	219,999	241,311
Trade payables	8,221,398	7,442,284	2,895,596	2,679,552
Other payables and accruals	3,697,912	3,800,646	2,705,431	2,663,923
Due to				
- subsidiaries (trade)	-	-	281,132	144,334
- subsidiaries (non-trade)	-	-	882,712	539,832
Loans and borrowings	15,343,187	15,205,094	14,891,406	14,771,094
Current tax payable	356,888	307,618	207,457	207,457
Current liabilities	27,619,385	26,755,642	21,863,734	21,006,192
Total liabilities	27,980,195	27,169,594	22,083,733	21,247,503
Total equity and liabilities	78,568,109	77,663,362	63,147,671	62,538,060



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

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
Inventory turnover (days)	93	101	78	80
Trade receivables turnover (days)	102	115	135	150
Trade receivables turnover (days) (without GZQH balances)	68	75	71	82
Debt equity ratio	0.55	0.54	0.54	0.51

Note - With the disposal of Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (“GZQH”), a former subsidiary of the Group, in December 2011, the Group’s and the Company’s trade balances with GZQH have been reclassified as trade receivables. Accordingly, it has resulted in a higher trade receivables turnover days.

Notes to Statements of Financial Position

(1) Intangible assets comprise:

	Group and Company	
	31 Mar 2017	31 Dec 2016
	\$	\$
Trademarks/customer acquisition costs/ formulation rights	1,471,497	1,471,497
Product listing fees	196,153	196,153
	1,667,650	1,667,650
Less accumulated amortisation	(783,770)	(778,270)
	883,880	889,380

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

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

Product listing fees relate to costs paid to third parties in relation to the entitlements to list and sell the Company’s products in certain supermarkets, and are amortised over three years.

- (2) The increase in brooder stocks as at 31 March 2017 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 (“Kim Kang”), a former subsidiary of the Group and the advances extended to Kim Kang before its disposal.



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Notes to Statements of Financial Position (cont'd)

(3) The details of subsidiaries are as follows:

Name of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	%	%	\$	\$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	171,951	171,951
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Qian Hu Development Sdn Bhd (Malaysia)	100	100	16,000	16,000
Beijing Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	1,086,516	1,086,516
Guangzhou Qian Hu OF Feed Co., Ltd (People's Republic of China)	100	100	126,170	126,170
Guangzhou Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	69,000	69,000
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited and its subsidiary: (Thailand)	60	60	121,554	121,554
- Advance Aquatic Co., Ltd (Thailand)	60	60	-	-
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
P.T. Qian Hu Joe Aquatic Indonesia (Indonesia)	90	90	381,459	381,459
			2,380,785	2,380,785

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

On 7 December 2016, the Company incorporated a 51% owned subsidiary, Qian Hu Aquaculture (Hainan) Co., Ltd, with a registered capital of Rmb 6 million. As at 31 March 2017, the Company has not made any capital contribution into this subsidiary.



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Notes to Statements of Financial Position (cont'd)

- (4) The details of associate is as follows:

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	\$	\$	\$	\$
Unquoted equity investment	812,600	812,600	812,600	812,600
Less				
Share of post-acquisition losses	(309,445)	(313,197)	-	-
Impairment loss on investment	(221,779)	(221,779)	(400,000)	(400,000)
	281,376	277,624	412,600	412,600

Name of associate	Principal activities	Effective equity held by the Group	
		31 Mar 2017	31 Dec 2016
		%	%
Arcadia Products PLC (United Kingdom)	Manufacture and distribution of aquarium lamps	20	20

The Group recorded an impairment loss relating to its investment in Arcadia Products PLC (“Arcadia”) as the carrying amount of the investment was affected by the depreciation of Sterling Pound (£) against Singapore Dollar (S\$) since its acquisition. The Group will continue to equity account for its share of results in Arcadia.

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

The recoverability of the amount due from GZQH of approximately \$7.6 million (31/12/2016: \$7.7 million) is guaranteed by a major shareholder of the Company and a director of the Company.

- (6) Breeder stocks are off-springs of the brooder stocks, held for trading purposes. As at the reporting date, these stocks are measured based on their fair value, which is determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier. The increase in breeder stocks balance as at 31 March 2017 was mainly due to difference in quantity, valuation and product mix in relation to the breeder stocks held as at both reporting dates.



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Notes to Statements of Financial Position (cont'd)

(7) Inventories comprise:

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	\$	\$	\$	\$
Fish	3,008,155	2,846,279	2,171,430	2,038,362
Accessories	12,399,566	12,115,850	5,255,175	4,937,214
Plastics products - raw materials	324,134	284,783	-	-
Plastics products - finished goods	595,253	607,713	-	-
	16,327,108	15,854,625	7,426,605	6,975,576
Less allowance for inventory obsolescence	(401,790)	(401,790)	(308,000)	(308,000)
	15,925,318	15,452,835	7,118,605	6,667,576

The increase in accessories inventory balance as at 31 March 2017 was mainly due to purchases made for orders due for delivery in the 2nd quarter of 2017.

(8) Trade receivables comprise:

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	\$	\$	\$	\$
Trade receivables	18,576,759	19,936,636	11,016,282	12,584,669
Less allowance for doubtful trade receivables	(1,833,399)	(2,377,481)	(1,727,412)	(2,289,290)
	16,743,360	17,559,155	9,288,870	10,295,379

Our conscientious efforts made in monitoring and collection of trade receivables balances have resulted in the decrease in the amount of trade receivables as at 31 March 2017.

(9) Other receivables, deposits and prepayments comprise:

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	\$	\$	\$	\$
Other receivables *	2,797,939	2,956,216	2,692,476	2,827,386
Deposits	322,000	276,012	39,281	45,182
Prepayments	1,475,932	1,165,334	408,623	170,586
Advances to suppliers	1,454,559	636,309	1,018,227	595,821
Deposits for purchase of property, plant and equipment	447,218	1,212,651	-	263,764
Tax recoverable	60,386	51,910	-	-
	6,558,034	6,298,432	4,158,607	3,902,739



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Notes to Statements of Financial Position (cont'd)

- * Other receivables as at 31 March 2017 consist of the outstanding amount due from the purchasers of Kim Kang of approximately \$2.5 million (31/12/16: \$2.8 million), which will be settled over a two-year period commencing 1 January 2017. As at 31 March 2017, the outstanding amount was reduced by \$0.3 million with the transfer of brooder stocks to the Group as settlement-in-kind (please refer to (2) above).

Notwithstanding the decrease in deposits for purchase of property, plant and equipment, which was mainly in relation to the infrastructure construction work undertaken by our Thailand subsidiary that has been capitalised as property, plant and equipment upon the completion of the construction work in the current quarter, the higher amount of other receivables, deposits and prepayments balances as at 31 March 2017 was mainly due to:-

- increase in prepayments made as we have made payments for certain expenses at the beginning of the year. Such amounts will be charged to the statement of profit or loss throughout the current financial year.
 - increase in advance payments made to suppliers for purchases which are due for delivery in the coming quarters.
- (10) The increase in amount due from associate as at 31 March 2017 was mainly due to higher trade activities with the associate in the current quarter.

- (11) Other payables and accruals comprise:

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	\$	\$	\$	\$
Accrued operating expenses	535,438	529,817	454,275	451,629
Accrued staff costs	800,703	1,239,982	426,193	807,707
Other payables	1,982,349	1,655,057	1,599,434	1,291,925
Advance received from customers	379,422	375,790	225,529	112,662
	3,697,912	3,800,646	2,705,431	2,663,923

The decrease in other payables and accruals as at 31 March 2017 was mainly due to the reduction of accrued staff costs as a result of bonus payment made in January 2017. The reduction was offset by the increase in payments due to non-trade suppliers.



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

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	\$	\$	\$	\$
Non-current liabilities				
Finance lease liabilities	311,534	364,249	219,999	241,311
	<u>311,534</u>	<u>364,249</u>	<u>219,999</u>	<u>241,311</u>
Current liabilities				
Term loans				
- short-term (unsecured)	14,500,000	14,500,000	14,500,000	14,500,000
- long-term (secured)	123,424	142,208	-	-
Bills payable to banks (unsecured)	517,166	353,721	317,831	196,696
Finance lease liabilities	202,597	209,165	73,575	74,398
	<u>15,343,187</u>	<u>15,205,094</u>	<u>14,891,406</u>	<u>14,771,094</u>
Total borrowings	<u>15,654,721</u>	<u>15,569,343</u>	<u>15,111,405</u>	<u>15,012,405</u>

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.72% to 2.25% (31/12/2016: 1.69% to 2.00%) per annum and are repayable within the next 12 months from the reporting date.

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

As at 31 March 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).



QIAN HU CORPORATION LIMITED
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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Group	
	3 months ended 31 Mar	
	2017	2016
	\$	\$
Cash flows from operating activities		
Profit before tax	175,634	2,176
Adjustments for:		
Bad trade receivables written off	3,395	15,873
Depreciation of		
- property, plant and equipment	412,497	380,274
- brooder stocks	46,667	47,375
Amortisation of intangible asset	5,500	-
Loss (Gain) on disposal of property, plant and equipment	2,806	(15,677)
Property, plant and equipment written off	72	-
Allowance for (Write back of allowance for)		
- doubtful trade receivables	48,806	68,312
- inventory obsolescence	-	(17,000)
Share of (profits) losses of associate	(3,752)	11,697
Interest expense	81,311	90,346
Interest income	(1,124)	(909)
Operating profit before working capital changes	771,812	582,467
(Increase) Decrease in:		
Inventories	(404,837)	(85,130)
Breeder stocks	(29,220)	(7,500)
Trade receivables	658,493	175,887
Other receivables, deposits and prepayments	(512,207)	(389,070)
Due from associate (trade)	(54,722)	161,292
Increase (Decrease) in:		
Trade payables	851,450	(36,787)
Bills payable to banks	166,848	10,026
Other payables and accruals	(88,962)	(272,103)
Cash generated from operating activities	1,358,655	139,082
Tax paid	(11,685)	(13,445)
Net cash from operating activities	1,346,970	125,637
Cash flows from investing activities		
Purchase of property, plant and equipment	(676,321)	(566,926)
Proceeds from disposal of property, plant and equipment	5,120	15,677
Interest received	1,124	909
Net cash used in investing activities	(670,077)	(550,340)



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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2017**
(cont'd)

	Group	
	3 months ended 31 Mar	
	2017	2016
	\$	\$
Cash flows from financing activities		
Repayment of		
- finance lease liabilities	(57,056)	(40,273)
- bank term loans	(19,488)	(18,384)
Interest paid	(80,986)	(87,146)
Net cash used in financing activities	(157,530)	(145,803)
Net increase (decrease) in cash and cash equivalents	519,363	(570,506)
Cash and cash equivalents at beginning of period	8,723,403	7,771,930
Effect of exchange rate changes on cash balances held in foreign currencies	(32,310)	(20,206)
Cash and cash equivalents at end of period	9,210,456	7,181,218

Notes to Statement of Cash Flows

Despite registering an increase in inventory purchases made, the Group's **net cash from operating activities** in the 1st quarter of 2017 was significantly higher as compared to its corresponding period in 2016. This was mainly due to higher profit generated in the current quarter, as well as our ability to better manage our cash flow by extending our credit terms with our regular suppliers for purchases made.

Net cash used in investing activities was mainly related to capital expenditure incurred for on-going enhancements to the infrastructure and farm facilities in one of our overseas subsidiaries.

Net cash used in financing activities in the 1st quarter of 2017 was mainly related to the settlement of bank term loans and finance lease liabilities, as well as the servicing of interest payments on a monthly basis.



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

Group	Attributable to owners of the Company			Total	Non-Controlling interests	Total Equity
	Share capital	Retained earnings	Translation reserve			
	\$	\$	\$	\$	\$	\$
Balance at 1 Jan 2016	30,772,788	18,969,013	(1,069,109)	48,672,692	1,635,086	50,307,778
Total comprehensive income for the year						
Profit for the year	-	67,821	-	67,821	254,364	322,185
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	31,918	31,918	58,939	90,857
Total other comprehensive income	-	-	31,918	31,918	58,939	90,857
Total comprehensive income for the year	-	67,821	31,918	99,739	313,303	413,042
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of first and final dividend	-	(227,052)	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)	-	(227,052)
Balance at 31 Dec 2016	30,772,788	18,809,782	(1,037,191)	48,545,379	1,948,389	50,493,768
Total comprehensive income for the period						
Profit for the period	-	36,685	-	36,685	87,711	124,396
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	(39,308)	(39,308)	9,058	(30,250)
Total other comprehensive income	-	-	(39,308)	(39,308)	9,058	(30,250)
Total comprehensive income for the period	-	36,685	(39,308)	(2,623)	96,769	94,146
Balance at 31 Mar 2017	30,772,788	18,846,467	(1,076,499)	48,542,756	2,045,158	50,587,914



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

Company	Share capital \$	Retained earnings \$	Translation reserve \$	Total \$
Balance at 1 Jan 2016	30,772,788	11,395,914	(41,827)	42,126,875
Total comprehensive income for the year				
Profit for the year	-	(631,842)	-	(631,842)
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	22,576	22,576
Total other comprehensive income	-	-	22,576	22,576
Total comprehensive income for the year	-	(631,842)	22,576	(609,266)
Transactions with owners, recognised directly in equity				
Distributions to owners				
Payment of first and final dividend	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)
Balance at 31 Dec 2016	30,772,788	10,537,020	(19,251)	41,290,557
Total comprehensive income for the period				
Loss for the period	-	(242,128)	-	(242,128)
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	15,509	15,509
Total other comprehensive income	-	-	15,509	15,509
Total comprehensive income for the period	-	(242,128)	15,509	(226,619)
Balance at 31 Mar 2017	30,772,788	10,294,892	(3,742)	41,063,938

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

Share capital	Number of shares	\$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2017 and 31 Mar 2017	113,526,467	30,772,788

There was no movement in the issued and paid-up capital of the Company since 31 December 2016.

There were no outstanding convertibles as at 31 March 2017 (31/3/2016: Nil).

The Company did not hold any treasury shares as at 31 March 2017 (31/3/2016: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the three months ended 31 March 2017.



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

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the first quarter ended 31 March 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

KENNY YAP KIM LEE
Executive Chairman and
Managing Director

ALVIN YAP AH SENG
Deputy Managing Director

Singapore
17 April 2017

1(f) **CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS**

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

2 **AUDIT**

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

3 **AUDITORS' REPORT**

Not applicable

4 **ACCOUNTING POLICIES**

Other than the adoption of the new and revised Financial Reporting Standards (FRS) which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2016.

5 **CHANGES IN ACCOUNTING POLICIES**

The adoption of the new and revised FRSs is assessed to have no material impact to the results of the Group and of the Company for the year ending 31 December 2017.

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

	Group	
	3 months ended 31 Mar	
	2017	2016
Earnings Per Ordinary Share		
(based on consolidated net profit attributable to owners)		
- on weighted average number of ordinary shares on issue (cents)	0.03	0.01
- on a fully diluted basis (cents)	0.03	0.01

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



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

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

7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2017</u>	<u>31 Dec 2016</u>	<u>31 Mar 2017</u>	<u>31 Dec 2016</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	44.56	44.48	36.17	36.37

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

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

1Q 2017 vs 1Q 2016

	<u>Group</u>		<u>Increase</u>	
	<u>1Q 2017</u>	<u>1Q 2016</u>	<u>\$'000</u>	<u>%</u>
Fish	9,267	8,408	859	10.2
Accessories	9,470	8,501	969	11.4
Plastics	2,838	2,702	136	5.0
	<u>21,575</u>	<u>19,611</u>	<u>1,964</u>	<u>10.0</u>

In 1st quarter of 2017, our ornamental fish and accessories activities continued to be our core business segments, which together accounted for 86.8% of the total revenue. Our revenue increased by approximately \$2.0 million or 10.0% from \$19.6 million for the first quarter ended 31 March 2016 to \$21.6 million for the first quarter ended 31 March 2017. All business activities registered growth in revenue in the current quarter as compared to its corresponding period in 2016.

On a geographical basis, revenue from Singapore dipped marginally by 0.2% while revenue from overseas grew by 14.4% in the 1st quarter of 2017 as compared to its corresponding period in 2016.

Fish

Our Dragon Fish sales continue to grow in tandem with the other ornamental fish revenue in the current quarter. We have since strived to gradually increase our export of ornamental fish by diversifying to more customers and more countries around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia, which have given rise to the improved ornamental fish revenue by approximately \$0.9 million or 10.2% in the current quarter as compared to its corresponding period in 2016.



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

(a) Revenue (cont'd)

1Q 2017 vs 1Q 2016 (cont'd)

Accessories

With our accessories business being more export-oriented, we managed to leverage on our Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. Our subsidiaries in Malaysia, China and Thailand have also managed to continue expanding their distribution network in their countries to capture more sales. Coupled with the sales generated from our newly acquired subsidiary in Guangzhou, we saw a leap in revenue contribution in the current quarter from this business segment, which was approximately \$1.0 million or 11.4% higher than its corresponding period in 2016.

Plastics

With the enlarged customer base and product mix, our revenue contribution from our plastic activities managed to register a steady increase of approximately \$0.1 million or 5.0% in the 1st quarter of 2017 as compared to its corresponding period in 2016.

1Q 2017 vs 4Q 2016

	<u>Group</u>		<u>Increase</u>	
	<u>1Q</u>	<u>4Q</u>	<u>(Decrease)</u>	
	2017	2016	\$'000	%
	\$'000	\$'000		
Fish	9,267	7,974	1,293	16.2
Accessories	9,470	11,215	(1,745)	(15.6)
Plastics	2,838	2,923	(85)	(2.9)
	<u>21,575</u>	<u>22,112</u>	<u>(537)</u>	<u>(2.4)</u>

Although the revenue from our ornamental fish activities registered a noticeable growth of \$1.3 million or 16.2% quarter-on-quarter, the decrease in our accessories and plastics revenue by approximately \$1.7 million and \$0.1 million respectively has resulted in a reduction in overall revenue by approximately \$0.5 million or 2.4% in the current quarter as compared to the previous quarter.

Fish

Moving into 1st quarter of 2017, our ornamental fish revenue continued its growth momentum. We saw improvement in Dragon Fish revenue contribution generated from the China market as we managed to sell more quantity of these fish. In addition, our continuous efforts to increase our export of ornamental fish to more countries and new markets around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia have generated higher revenue as compared to the previous quarter.

Accessories

Traditionally, during the 1st quarter of each year, revenue contribution is lower from our China operations as they are closed for operations during the week-long Chinese New Year holidays. This has attributed to the slide in accessories revenue in the current quarter as compared to the previous quarter, despite that our subsidiaries in Malaysia, China and Thailand have managed to expand their distribution network in their countries to capture more sales in the current quarter.



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

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

1Q 2017 vs 4Q 2016 (cont'd)

Plastics

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

(b) **Profitability**

1Q 2017 vs 1Q 2016

	Group		Increase (Decrease)	
	1Q 2017	1Q 2016	\$'000	%
	\$'000	\$'000	\$'000	%
Fish	382	276	106	38.4
Accessories	285	92	193	209.8
Plastics	201	223	(22)	(9.9)
Unallocated corporate expenses	(693)	(589)	(104)	(17.7)
	175	2	173	NM

NM: Not Meaningful

In line with the higher overall revenue contribution registered, our operating profit increased by approximately \$0.2 million in the 1st quarter of 2017 as compared to its corresponding period in 2016, mainly due to the better profit generated from our core business segments.

Fish

The difference in sales mix recorded, coupled with the improved revenue contributions from our overseas markets and export business, had lifted the profitability of the ornamental fish business in the 1st quarter of 2017 as compared to its corresponding period in 2016.

Accessories

The increase in profitability from our accessories segment in the 1st quarter of 2017 as compared to its corresponding period in 2016 was in line with the higher revenue contribution.

Plastics

Despite the increase in revenue registered by the plastic activities, the gradual increase in overall operational costs has affected its profitability in the 1st quarter of 2017, as compared to the corresponding period in 2016.



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

(b) Profitability (cont'd)

1Q 2017 vs 1Q 2016 (cont'd)

Unallocated corporate expenses

These were staff costs and corporate/administrative expenses incurred in relation to the overseeing of both the Group's local and overseas operations. The increase in corporate expenses during the current quarter, as compared to its corresponding period in 2016, was mainly due to expenses incurred in relation to a brand building exercise conducted by the Group to realign and refresh our brand strategies, with the aim to improve on our product offerings in order to better cater for our customers' needs.

1Q 2017 vs 4Q 2016

	Group		Increase	
	1Q 2017	4Q 2016	(Decrease)	%
	\$'000	\$'000	\$'000	%
Fish	382	(58)	440	758.6
Accessories	285	175	110	62.9
Plastics	201	199	2	1.0
Unallocated corporate expenses	(693)	(444)	(249)	(56.1)
	175	(128)	303	236.7

Fish

The surge in the operating profit from our ornamental fish by approximately \$0.4 million in the current quarter as compared to the previous quarter was in line with the significantly higher revenue recorded and the better margin yielded from the sales of our self-bred Dragon Fish and our ornamental fish export business.

Accessories

Despite the lower revenue contribution from our accessories business, the improvement in its profitability in the 1st quarter of 2017 as compared to the previous quarter was due to the difference in sales-mix, as well as the sales of more proprietary brand of innovative products so as to establish product differentiation which has derived better margins.

Plastics

The relatively consistent revenue registered by the plastics business in both quarters gave rise to the flat growth in profitability quarter-on-quarter.

9 VARIANCE FROM PROSPECT STATEMENT

There is no variance from the previous prospect statement.



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10 **PROSPECTS**

The vision objectives of our Group are:

- to be the world's Number 1 ornamental fish exporter;
- to breed Dragon Fish of the highest value;
- to establish our "Ocean Free" and "OF" brands as the most recognisable among aquarium accessories brands in Asia;
- to be an innovative technology company; and
- to produce antibiotic-free, sustainable edible fish for the benefit of our consumers and the environment.

The above-mentioned objectives of the Group were announced in detail in our Full Year Financial Statements and Dividend Announcement dated 12 January 2017.

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

11 **DIVIDEND**

No interim dividend for the quarter ended 31 March 2017 is recommended.

12 **INTERESTED PERSON TRANSACTIONS**

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

Except for guarantee fee amounting to \$9,500 (31/3/2016: \$10,200) paid by the Group and by the company to a major shareholder of the Company for guaranteeing the outstanding payment due from GZQH (a former subsidiary), there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the quarter ended 31 March 2017.

13 **SEGMENT INFORMATION**

(a) **Business segments**

The Group's operating segments are its strategic business units which offer different products and are managed separately. The reportable segment presentation is based on the Group's management and internal reporting structure used for its strategic decision-making purposes.



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

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

The Group's activities comprise the following reportable segments:

- (i) Fish - includes fish farming, breeding, distribution and trading of ornamental fish;
- (ii) Accessories - includes manufacturing and distribution of aquarium and pet accessories;
- (iii) Plastics - includes manufacturing and distribution of plastic bags; and
- (iv) Others - includes Corporate Office and consolidation adjustments which are not directly attributable to a particular business segment above.

Group	3 Months ended 31 Mar 2017				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	9,267	9,470	2,838	-	21,575
Inter-segment revenue	522	1,223	36	(1,781)	-
Total Revenue	9,789	10,693	2,874	(1,781)	21,575
Results					
EBITDA *	688	408	244	(624)	716
Depreciation and amortisation	(303)	(120)	(42)	-	(465)
Interest expense	(4)	(7)	(1)	(69)	(81)
Interest income	1	-	-	-	1
	382	281	201	(693)	171
Share of profits of associate	-	4	-	-	4
Profit before tax	382	285	201	(693)	175
Tax expense	(43)	(8)	-	-	(51)
Profit for the period	339	277	201	(693)	124
Net profit margin	3.7%	2.9%	7.1%		0.6%
Assets and Liabilities					
Segment assets	32,073	39,551	4,297	2,647	78,568
Investment in associate	-	281	-	-	281
Segment liabilities	5,261	5,933	1,909	14,877	27,980
Other Segment Information					
Expenditures for non-current assets **	648	25	3	-	676
Other non-cash items:					
Bad trade receivables written off	3	-	-	-	3
Loss (Gain) on disposal of property, plant and equipment	-	8	(5)	-	3
Allowance for doubtful trade receivables	17	32	-	-	49

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

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



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

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

Group	3 months ended 31 Mar 2016				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	8,408	8,501	2,702	-	19,611
Inter-segment revenue	565	936	35	(1,536)	-
Total Revenue	8,973	9,437	2,737	(1,536)	19,611
Results					
EBITDA *	552	232	261	(513)	532
Depreciation and amortisation	(271)	(120)	(37)	-	(428)
Interest expense	(5)	(9)	(1)	(76)	(91)
Interest income	-	1	-	-	1
	276	104	223	(589)	14
Share of losses of associate	-	(12)	-	-	(12)
Profit before tax	276	92	223	(589)	2
Tax credit	27	50	-	-	77
Profit for the period	303	142	223	(589)	79
Net profit margin	3.6%	1.7%	8.3%		0.4%
Assets and Liabilities					
Segment assets	32,064	36,296	4,148	2,971	75,479
Investment in associate	-	296	-	-	296
Segment liabilities	5,210	4,156	1,828	13,922	25,116
Other Segment Information					
Expenditures for non-current assets **	305	112	198	-	615
Other non-cash items:					
Bad trade receivables written off	7	9	-	-	16
Gain on disposal of property, plant and equipment	(4)	-	(12)	-	(16)
Allowance for (Write back of allowance for)					
- doubtful trade receivables	53	13	2	-	68
- inventory obsolescence	-	(17)	-	-	(17)

(b) **Geographical segments**

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

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



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

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

Group	Revenue		Segment non-current assets		Segment assets	
	3 Months ended 31 Mar		3 Months ended 31 Mar		3 Months ended 31 Mar	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	5,890	5,904	23,634	14,004	52,535	52,895
Other Asian countries	12,044	9,692	5,216	2,951	25,752	22,288
Europe	2,168	2,310	281	296	281	296
Others	1,473	1,705	-	-	-	-
Total	21,575	19,611	29,131	17,251	78,568	75,479

(c) **Major customers**

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

14 **BREAKDOWN OF REVENUE**

Group	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
3 Months ended 31 Mar 2017				
Singapore (including domestic sales & sales to Singapore)	1,090	2,018	2,782	5,890
Overseas (including export to & sales in overseas)	8,177	7,452	56	15,685
Total revenue	9,267	9,470	2,838	21,575
3 Months ended 31 Mar 2016				
Singapore	1,139	2,127	2,638	5,904
Overseas	7,269	6,374	64	13,707
Total revenue	8,408	8,501	2,702	19,611

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
17 April 2017