



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

THIRD QUARTER & NINE MONTHS FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT OR LOSS**
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2016

		Group			Group		
		3 months ended 30 Sep		Change	9 months ended 30 Sep		Change
		2016	2015		2016	2015	
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		19,647	17,840	10.1	58,358	58,635	(0.5)
Cost of sales		(13,729)	(12,772)	7.5	(40,673)	(42,035)	(3.2)
Gross profit		5,918	5,068	16.8	17,685	16,600	6.5
Other income	i	52	34	52.9	166	152	9.2
		5,970	5,102	17.0	17,851	16,752	6.6
Selling & distribution expenses	ii	(340)	(304)	11.8	(1,030)	(1,031)	(0.1)
General & administrative expenses	ii	(5,463)	(4,514)	21.0	(16,439)	(14,991)	9.7
Results from operating activities	iii	167	284	(41.2)	382	730	(47.7)
Finance income	iv	1	1	-	6	4	50.0
Finance costs	iv	(83)	(80)	3.8	(260)	(220)	18.2
		85	205	(58.5)	128	514	(75.1)
Share of profits (losses) of associate		8	4	100.0	(10)	27	(137.0)
Profit before tax		93	209	(55.5)	118	541	(78.2)
Tax (expense) credit	v	(14)	(51)	(72.5)	112	(148)	175.7
Profit for the period		79	158	(50.0)	230	393	(41.5)
Profit attributable to:							
Owners of the Company		5	93	(94.6)	32	217	(85.3)
Non-controlling interests		74	65	13.8	198	176	12.5
Profit for the period		79	158	(50.0)	230	393	(41.5)
Gross profit margin		30.1%	28.4%		30.3%	28.3%	
Net profit margin		0.4%	0.9%		0.4%	0.7%	
Effective tax rate		NM	31.6%		NM	33.8%	

NM: Not meaningful



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STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2016

	<u>Group</u>			<u>Group</u>		
	<u>3 months ended 30 Sep</u>		<u>Change</u>	<u>9 months ended 30 Sep</u>		<u>Change</u>
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Profit for the period	79	158	(50.0)	230	393	(41.5)
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations, net of tax	106	(253)	141.9	(9)	(432)	(97.9)
Other comprehensive income for the period, net of tax	106	(253)	141.9	(9)	(432)	(97.9)
Total comprehensive income for the period	185	(95)	294.7	221	(39)	NM
Total comprehensive income attributable to:						
Owners of the Company	69	(137)	150.4	6	(176)	103.4
Non-controlling interests	116	42	176.2	215	137	56.9
Total comprehensive income for the period	185	(95)	294.7	221	(39)	NM

NM: Not Meaningful

Notes to Statement of Profit or Loss

(i) **Other income**

Other income comprises:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Sep</u>		<u>9 months ended 30 Sep</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Gain (Loss) on disposal of property, plant and equipment	37	(2)	62	32
Sundry income	15	36	104	120
	52	34	166	152



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

(ii) **Selling & distribution expenses**
General & administrative expenses

The net increase in overall operating expenses by approximately \$1.0 million or 20.4% in the current quarter as compared to its corresponding period in 2015 was mainly due to:-

- lower exchange gain registered in 3rd quarter 2016 of approximately \$0.1 million as compared to approximately \$0.3 million in its corresponding period in 2015;
- higher depreciation charge incurred as result of the increase in property, plant and equipment;
- higher personnel expenses as a result of annual salary revision; and
- broad-spectrum increase in operating costs (e.g utilities costs) as a result of elevated inflationary pressure.

For the nine months ended 30 September 2016, there was exchange loss incurred of approximately \$0.2 million as compared to an exchange gain of approximately \$0.5 million registered in its corresponding period in 2015. Coupled with the increase in depreciation charge, personnel expenses and other operating costs as mentioned above, these have resulted in an increase in operating expenses by approximately \$1.4 million or 9.0% as compared to its corresponding period in 2015.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 30 Sep 2016	2015	9 months ended 30 Sep 2016	2015
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	27	30	85	84
- other auditors	3	2	8	7
Non-audit fees				
- other auditors	11	11	14	14
Directors' fees				
- directors of the Company	25	25	75	65
Directors' remuneration				
- directors of the Company	284	282	851	845
- directors of subsidiaries	88	83	263	295
Bad trade receivables written off	13	13	35	45
Depreciation of				
- property, plant and equipment	456	360	1,246	1,066
- brooder stocks	46	47	141	142
Allowance for (Write back of allowance for)				
- doubtful trade receivables	47	22	139	166
- inventory obsolescence	-	-	(17)	(50)
Operating lease expenses	267	263	799	840
Personnel expenses *	3,412	3,136	10,048	9,799
Exchange (gain) loss, net	(79)	(329)	182	(534)
Change in fair value less estimated point-of-sale costs of breeder stocks	-	9	-	17

* Include directors' remuneration.



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

(iv) **Finance income**

Finance costs

	Group		Group	
	3 months ended 30 Sep		9 months ended 30 Sep	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Interest expense				
- bank loans and overdrafts	72	65	219	176
- bills payable to banks	7	6	21	15
- finance lease liabilities	4	9	20	29
	83	80	260	220
Interest income				
- bank deposits	(1)	(1)	(6)	(4)
Net finance costs	82	79	254	216

The increase in net finance costs by approximately 3.8% and 18.2% in the current quarter and for the nine months ended 30 September 2016 respectively as compared to its corresponding periods in 2015 was mainly due to higher interest rates charged by the financial institutions as well as an increase in the amount of bank borrowings outstanding during the current reporting period.

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

	Group		Group	
	3 months ended 30 Sep		9 months ended 30 Sep	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current tax expense				
- current year	99	66	173	183
- over provision in respect of prior years	(85)	(15)	(85)	(35)
Deferred tax				
- recognition of tax effect of previously unrecognised tax losses	-	-	(200)	-
	14	51	(112)	148

Despite the tax incentives granted for qualifying expenditures, the effective tax rate registered for the 3rd quarter of 2016 and for the nine months ended 30 September 2016 was higher than the amount obtained by applying the statutory tax rate of 17% on profit before tax mainly due to losses incurred by some entities which cannot be offset against profits earned by other companies within the Group and the varying statutory tax rates of the different countries in which the Group operates. In addition, there were higher profit contributions from entities with a higher tax rate.



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

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	\$	\$	\$	\$
Assets				
Property, plant and equipment	7,998,009	8,076,128	4,737,369	5,377,236
Intangible assets	343,048	343,048	343,048	343,048
Brooder stocks	8,225,999	8,365,583	8,225,999	8,365,583
Investments in subsidiaries	-	-	2,295,785	2,295,785
Investment in associate	297,095	307,463	412,600	412,600
Non-current assets	16,864,151	17,092,222	16,014,801	16,794,252
Breeder stocks	36,540	24,780	36,540	24,780
Inventories	15,929,316	15,747,853	6,800,449	7,043,358
Trade receivables	25,565,003	25,557,541	18,341,995	19,279,456
Other receivables, deposits and prepayments	9,094,648	8,810,690	6,846,420	6,611,893
Due from				
- subsidiaries (trade)	-	-	6,790,329	6,233,190
- subsidiaries (non-trade)	-	-	1,273,828	1,274,808
- associate (trade)	750,183	811,940	750,183	811,940
Cash and bank balances	7,330,878	7,771,930	4,601,747	4,287,591
Current assets	58,706,568	58,724,734	45,441,491	45,567,016
Total assets	75,570,719	75,816,956	61,456,292	62,361,268
Equity				
Share capital	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	17,678,396	17,899,904	10,685,090	11,354,087
Equity attributable to owners of the Company	48,451,184	48,672,692	41,457,878	42,126,875
Non-controlling interests	1,850,314	1,635,086	-	-
Total equity	50,301,498	50,307,778	41,457,878	42,126,875
Liabilities				
Loans and borrowings	250,400	141,535	121,453	824
Deferred tax liabilities	228,810	428,582	180,000	380,000
Non-current liabilities	479,210	570,117	301,453	380,824
Trade payables	6,231,809	5,968,974	2,086,019	2,268,637
Other payables and accruals	3,767,721	4,120,667	2,719,168	3,150,899
Due to				
- subsidiaries (trade)	-	-	445,196	208,666
- subsidiaries (non-trade)	-	-	220,426	46,657
Loans and borrowings	14,469,906	14,427,293	14,018,695	13,971,253
Current tax payable	320,575	422,127	207,457	207,457
Current liabilities	24,790,011	24,939,061	19,696,961	19,853,569
Total liabilities	25,269,221	25,509,178	19,998,414	20,234,393
Total equity and liabilities	75,570,719	75,816,956	61,456,292	62,361,268



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

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
Inventory turnover (days)	107	106	81	78
Trade receivables turnover (days)	120	120	152	156
Trade receivables turnover (days) (without GZQH balances)	78	76	82	81
Debt equity ratio	0.50	0.51	0.48	0.48

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

Notes to Statements of Financial Position

(1) Intangible assets comprise:

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

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the acquisition of trademarks rights and existing customer base of certain brands of pet food. Such costs were determined to have indefinite lives and are tested for impairment annually.

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



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Notes to Statements of Financial Position (cont'd)

(2) The details of subsidiaries are as follows:

Name of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	%	%	\$	\$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	171,951	171,951
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	1,086,516	1,086,516
Guangzhou Qian Hu OF Feed Co., Ltd (People's Republic of China)	100	100	126,170	126,170
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited and its subsidiary: (Thailand)	60	60	121,554	121,554
- Advance Aquatic Co., Ltd (Thailand)	60	60	-	-
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
P.T. Qian Hu Joe Aquatic Indonesia (Indonesia)	90	90	381,459	381,459
			2,295,785	2,295,785

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

(3) The details of associate is as follows:

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	\$	\$	\$	\$
Unquoted equity investment	812,600	812,600	812,600	812,600
Less				
Share of post-acquisition losses	(293,726)	(283,358)	-	-
Impairment loss on investment	(221,779)	(221,779)	(400,000)	(400,000)
	297,095	307,463	412,600	412,600



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Notes to Statements of Financial Position (cont'd)

Name of associate	Principal activities	Effective equity held by the Group	
		30 Sep 2016	31 Dec 2015
		%	%
Arcadia Products PLC (United Kingdom)	Manufacture and distribution of aquarium lamps	20	20

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

- (4) Breeder stocks are off-springs of the brooder stocks, held for trading purposes. As at the reporting date, these stocks are measured based on their fair value, which is determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier. The increase in breeder stocks balance as at 30 September 2016 was mainly due to difference in quantity, valuation and product mix in relation to the breeder stocks held as at both reporting dates.

- (5) Inventories comprise:

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	\$	\$	\$	\$
Fish	2,859,615	3,156,929	2,097,131	2,324,237
Accessories	12,588,602	12,122,893	5,011,318	5,044,121
Plastics products - raw materials	296,604	363,295	-	-
Plastics products - finished goods	586,285	523,526	-	-
	16,331,106	16,166,643	7,108,449	7,368,358
Less allowance for inventory obsolescence	(401,790)	(418,790)	(308,000)	(325,000)
	15,929,316	15,747,853	6,800,449	7,043,358

The increase in accessories inventory balance as at 30 September 2016 was mainly due to purchases made for orders due for delivery in the coming quarters.

- (6) Trade receivables comprise:

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	\$	\$	\$	\$
Trade receivables	28,059,334	27,917,547	20,746,562	21,562,976
Less allowance for doubtful trade receivables	(2,494,331)	(2,360,006)	(2,404,567)	(2,283,520)
	25,565,003	25,557,541	18,341,995	19,279,456



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Notes to Statements of Financial Position (cont'd)

The trade receivables balances turnover days have remained relatively consistent for both reporting periods.

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

(7) Other receivables, deposits and prepayments comprise:

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	\$	\$	\$	\$
Other receivables *	3,986,203	3,940,304	3,890,333	3,842,681
Deposits	322,352	423,534	67,760	67,385
Prepayments	1,129,696	1,185,774	219,057	213,473
Advances to suppliers	2,360,382	2,179,444	2,332,534	2,109,301
Deposits for purchase of property, plant and equipment	1,229,571	1,048,863	336,736	379,053
Tax recoverable	66,444	32,771	-	-
	9,094,648	8,810,690	6,846,420	6,611,893

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

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

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

- increase in advance payments made to suppliers for purchases made which are due for delivery in the coming quarters; and
- increase in deposits for purchase of property, plant and equipment mainly in relation to the infrastructure construction work undertaken by our Thailand and Indonesia subsidiaries. These amounts will be capitalised as property, plant and equipment upon the completion of the construction work.



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Notes to Statements of Financial Position (cont'd)

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

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	\$	\$	\$	\$
Accrued operating expenses	446,335	400,843	355,124	316,555
Accrued staff costs	1,238,875	1,198,177	742,557	771,872
Other payables	1,746,066	2,054,809	1,503,260	1,840,129
Advance received from customers	336,445	466,838	118,227	222,343
	3,767,721	4,120,667	2,719,168	3,150,899

The decrease in other payables and accruals as at 30 September 2016 was mainly due to the decrease in amounts due to non-trade suppliers.

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

	Group		Company	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	\$	\$	\$	\$
Non-current liabilities				
Finance lease liabilities	250,400	141,535	121,453	824
	250,400	141,535	121,453	824
Current liabilities				
Term loans				
- short-term (unsecured)	13,500,000	13,500,000	13,500,000	13,500,000
- long-term (secured)	157,600	212,160	-	-
Bills payable to banks (unsecured)	632,118	580,308	479,164	452,922
Finance lease liabilities	180,188	134,825	39,531	18,331
	14,469,906	14,427,293	14,018,695	13,971,253
Total borrowings	14,720,306	14,568,828	14,140,148	13,972,077

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.57% to 2.10% (31/12/2015: 1.875% to 2.30%) per annum and are repayable within the next 12 months from the reporting date.

The long-term loan is a bank loan of Baht 8.0 million, drawdown by a subsidiary, secured by a mortgage on the subsidiary's freehold land and is callable on demand. It bears interest at 6.75% (31/12/2015: 6.75%) per annum and is payable in 50 monthly instalments commencing September 2014.

As at 30 September 2016, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$1.7 million (31/12/2015: \$1.7 million).



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1(c) **STATEMENT OF CASH FLOWS**
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2016

	Group		Group	
	3 months ended 30 Sep	2015	9 months ended 30 Sep	2015
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash flows from operating activities				
Profit before tax	93,107	209,554	118,441	541,449
Adjustments for:				
Bad trade receivables written off	13,310	12,555	35,283	44,886
Depreciation of				
- property, plant and equipment	456,451	360,387	1,245,991	1,066,402
- brooder stocks	46,254	47,375	141,004	142,125
(Gain) Loss on disposal of property, plant and equipment	(37,357)	1,934	(62,421)	(32,125)
Property, plant and equipment written off	-	-	323	-
Change in fair value less estimated point-of-sale costs of breeder stocks	-	8,600	-	17,200
Allowance for (Write back of allowance for)				
- doubtful trade receivables	46,563	22,093	138,616	165,637
- inventory obsolescence	-	-	(17,000)	(50,000)
Share of (profits) losses of associate	(7,966)	(3,996)	10,368	(27,390)
Interest expense	82,690	80,075	259,886	220,389
Interest income	(858)	(896)	(5,999)	(4,275)
Operating profit before working capital changes	692,194	737,681	1,864,492	2,084,298
(Increase) Decrease in:				
Inventories	52,485	(401,525)	(148,655)	(1,085,013)
Breeder stocks	(360)	(650)	(11,760)	1,650
Trade receivables	(663,904)	866,235	(263,452)	1,248,893
Other receivables, deposits and prepayments	372,694	(481,878)	(142,701)	(352,344)
Due from associate (trade)	(15,120)	(366,773)	61,757	(466,454)
Increase (Decrease) in:				
Trade payables	54,082	480,574	321,342	835,217
Bills payable to banks	34,635	(309,019)	50,247	(53,240)
Other payables and accruals	58,441	327,357	(338,103)	(299,012)
Cash generated from operating activities	585,147	852,002	1,393,167	1,913,995
Tax paid	(76,298)	(84,452)	(224,423)	(260,365)
Net cash from operating activities	508,849	767,550	1,168,744	1,653,630
Cash flows from investing activities				
Purchase of property, plant and equipment	(36,771)	(337,913)	(1,004,240)	(1,281,128)
Proceeds from disposal of property, plant and equipment	41,030	-	69,752	34,310
Interest received	858	896	5,999	4,275
Net cash from (used in) investing activities	5,117	(337,017)	(928,489)	(1,242,543)



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1(c) **STATEMENT OF CASH FLOWS**
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2016 (cont'd)

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Sep</u>	<u>2015</u>	<u>9 months ended 30 Sep</u>	<u>2015</u>
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash flows from financing activities				
Repayment of				
- finance lease liabilities	(34,769)	(35,760)	(115,854)	(107,984)
- bank term loans	(19,872)	(18,240)	(56,736)	(56,448)
Payment of dividends to				
- owners of the Company	-	-	(227,052)	(454,106)
- non-controlling interests	-	-	-	(78,400)
Interest paid	(83,043)	(80,330)	(260,387)	(219,903)
Net cash used in financing activities	(137,684)	(134,330)	(660,029)	(916,841)
Net increase (decrease) in cash and cash equivalents	376,282	296,203	(419,774)	(505,754)
Cash and cash equivalents at beginning of period	6,918,669	7,721,770	7,771,930	8,557,302
Effect of exchange rate changes				
on cash balances held in foreign currencies	35,927	(41,557)	(21,278)	(75,132)
Cash and cash equivalents at end of period	7,330,878	7,976,416	7,330,878	7,976,416

Notes to Statement of Cash Flows

The decrease in **net cash from operating activities** for the nine months ended 30 September 2016 as compared to its corresponding period in 2015 was mainly due to lower profit generated during the period being deployed into inventory purchases and payment for deposits and advances to suppliers, as well as for the settlement of other payables and accruals during the nine months ended 30 September 2016.

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

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



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

Group	Attributable to owners of the Company			Total	Non-Controlling interests	Total Equity
	Share capital	Retained earnings	Translation reserve			
	\$	\$	\$	\$	\$	\$
Balance at 1 Jan 2015	30,772,788	19,404,357	(629,024)	49,548,121	1,505,172	51,053,293
Total comprehensive income for the year						
Profit for the year	-	18,762	-	18,762	252,806	271,568
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	(440,085)	(440,085)	(44,892)	(484,977)
Total other comprehensive income	-	-	(440,085)	(440,085)	(44,892)	(484,977)
Total comprehensive income for the year	-	18,762	(440,085)	(421,323)	207,914	(213,409)
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of first and final dividend	-	(454,106)	-	(454,106)	-	(454,106)
Payment of dividend to non-controlling interests	-	-	-	-	(78,000)	(78,000)
Total transactions with owners	-	(454,106)	-	(454,106)	(78,000)	(532,106)
Balance at 31 Dec 2015	30,772,788	18,969,013	(1,069,109)	48,672,692	1,635,086	50,307,778
Total comprehensive income for the period						
Profit for the period	-	31,988	-	31,988	198,281	230,269
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	(26,444)	(26,444)	16,947	(9,497)
Total other comprehensive income	-	-	(26,444)	(26,444)	16,947	(9,497)
Total comprehensive income for the period	-	31,988	(26,444)	5,544	215,228	220,772
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of first and final dividend	-	(227,052)	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)	-	(227,052)
Balance at 30 Sep 2016	30,772,788	18,773,949	(1,095,553)	48,451,184	1,850,314	50,301,498



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

Company	Share capital \$	Retained earnings \$	Translation reserve \$	Total \$
Balance at 1 Jan 2015	30,772,788	11,617,086	(35,388)	42,354,486
Total comprehensive income for the year				
Profit for the year	-	232,934	-	232,934
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	(6,439)	(6,439)
Total other comprehensive income	-	-	(6,439)	(6,439)
Total comprehensive income for the year	-	232,934	(6,439)	226,495
Transactions with owners, recognised directly in equity				
Distributions to owners				
Payment of first and final dividend	-	(454,106)	-	(454,106)
Total transactions with owners	-	(454,106)	-	(454,106)
Balance at 31 Dec 2015	30,772,788	11,395,914	(41,827)	42,126,875
Total comprehensive income for the period				
Loss for the period	-	(472,047)	-	(472,047)
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	30,102	30,102
Total other comprehensive income	-	-	30,102	30,102
Total comprehensive income for the period	-	(472,047)	30,102	(441,945)
Transactions with owners, recognised directly in equity				
Distributions to owners				
Payment of first and final dividend	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)
Balance at 30 Sep 2016	30,772,788	10,696,815	(11,725)	41,457,878

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

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

There was no movement in the issued and paid-up capital of the Company since 31 December 2015.

There were no outstanding convertibles as at 30 September 2016 (30/9/2015: Nil).

The Company did not hold any treasury shares as at 30 September 2016 (30/9/2015: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the nine months ended 30 September 2016.



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

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

On behalf of the Board of Directors

KENNY YAP KIM LEE
Executive Chairman and
Managing Director

ALVIN YAP AH SENG
Deputy Managing Director

Singapore
17 October 2016

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

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

2 **AUDIT**

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

3 **AUDITORS' REPORT**

Not applicable

4 **ACCOUNTING POLICIES**

Other than the adoption of the new and revised Financial Reporting Standards (FRSs) which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2015.

5 **CHANGES IN ACCOUNTING POLICIES**

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

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

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Sep</u>	<u>30 Sep</u>	<u>9 months ended 30 Sep</u>	<u>30 Sep</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Earnings Per Ordinary Share (based on consolidated net profit attributable to owners)				
- on weighted average number of ordinary shares on issue (cents)	0.01	0.08	0.03	0.19
- on a fully diluted basis (cents)	0.01	0.08	0.03	0.19



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

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

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

7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2016</u>	<u>31 Dec 2015</u>	<u>30 Sep 2016</u>	<u>31 Dec 2015</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	44.31	44.31	36.52	37.11

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

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

9 months 2016 vs 9 months 2015

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>9 months ended 30 Sep 2016</u>	<u>9 months ended 30 Sep 2015</u>	<u>\$'000</u>	<u>%</u>
Fish	23,704	23,677	27	0.1
Accessories	26,434	26,568	(134)	(0.5)
Plastics	8,220	8,390	(170)	(2.0)
	<u>58,358</u>	<u>58,635</u>	<u>(277)</u>	<u>(0.5)</u>

For the nine months ended 30 September 2016, the ornamental fish and accessories activities continued to be our core business segments, which together accounted for approximately 85.9% of the total revenue. Our revenue decreased marginally by approximately \$0.3 million or 0.5% from \$58.6 million for the nine months ended 30 September 2015 to \$58.3 million for the nine months ended 30 September 2016.

On a geographical basis, revenue from Singapore grew by 3.1% while revenue from overseas dipped by approximately 1.9% for the nine months ended 30 September 2016 as compared to its corresponding period in 2015.



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

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

3Q 2016 vs 3Q 2015

	Group		Increase	
	3Q 2016	3Q 2015	\$'000	%
Fish	7,647	6,879	768	11.2
Accessories	9,184	8,163	1,021	12.5
Plastics	2,816	2,798	18	0.6
	<u>19,647</u>	<u>17,840</u>	<u>1,807</u>	10.1

Our overall revenue increased by approximately \$1.8 million or 10.1% in the 3rd quarter of 2016 as compared to its corresponding period in 2015. All business segments registered increase in revenue contribution during the current quarter.

Fish

During the current quarter, although the purchasing sentiments from the challenging European markets have retrieved gradually, it has not been restored completely. We have since strived to sustain our export of ornamental fish by diversifying to more customers and more countries around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia, which have given rise to the improved ornamental fish revenue by approximately \$0.8 million or 11.2% in the current quarter as compared to its corresponding period in 2015.

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 and Thailand have also managed to continue expanding their distribution network in those countries to capture more sales; hence, registering revenue of \$9.2 million in the current quarter for this business segment, which is approximately \$1.0 million or 12.5% higher than its corresponding period in 2015.

Plastics

Revenue from plastics business remained consistent in the current quarter, comparable to that of the corresponding period in 2015.



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

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

3Q 2016 vs 2Q 2016

	Group		Increase (Decrease)	
	3Q 2016	2Q 2016	\$'000	%
Fish	7,647	7,649	(2)	(0.0)
Accessories	9,184	8,749	435	5.0
Plastics	2,816	2,702	114	4.2
	19,647	19,100	547	2.9

Although the revenue from our ornamental fish activities was unwavering quarter-on-quarter, the steady growth in revenue from the accessories and plastics segments had resulted in the increase in overall revenue by approximately \$0.5 million or 2.9% in the current quarter as compared to the previous quarter.

Fish

Traditionally, the 3rd quarter of each year has been a relatively low season for our ornamental fish export business due to the summer holidays in Europe whereby our European customers would mostly take off for their own vacation, which would result in a lower ornamental fish revenue contribution. Nonetheless, the revenue contribution from this business segment in the current quarter was comparable to the previous quarter. This was due to lower ornamental fish revenue registered in the previous quarter as a result of prolonged heavy downpour in the Central and Southern China since mid-June which has affected the domestic distribution activities in China. In addition, the UEFA European Championship football tournament held in June to July this year had affected the export of ornamental fish to many countries over the world as it has been the norm that consumers do not actively make ornamental fish related purchases during the duration of the tournament.

Accessories

Revenue from our accessories activities continued its growth momentum into the 3rd quarter of 2016. The increase in accessories revenue quarter-on-quarter was mainly a result of better revenue contributions from our export sales as well as from our subsidiaries in Malaysia and Thailand as mentioned earlier.

Plastics

With the gradual resumption in demand for our plastic products after a temporary reduction as a result of the softening of demand from the domestic market since the beginning of 2016, the revenue from our plastic activities has increased by approximately \$0.1 million or 4.2% to \$2.8 million on a quarter-on-quarter basis.



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

(b) **Profitability**

9 months 2016 vs 9 months 2015

	Group		Increase (Decrease)	
	9 months ended 30 Sep			
	2016	2015	\$'000	%
Fish	613	714	(101)	(14.1)
Accessories	589	1,003	(414)	(41.3)
Plastics	652	540	112	20.7
Unallocated corporate expenses	(1,736)	(1,716)	(20)	(1.2)
	118	541	(423)	(78.2)

Our operating profit decreased by \$0.4 million or 78.2% for the nine months ended 30 September 2016 compared to its corresponding period in 2015, mainly due to the reduction in profit generated from our accessories business during the earlier quarters of 2016.

3Q 2016 vs 3Q 2015

	Group		Increase (Decrease)	
	3Q			
	2016	2015	\$'000	%
Fish	164	318	(154)	(48.4)
Accessories	274	311	(37)	(11.9)
Plastics	239	155	84	54.2
Unallocated corporate expenses	(584)	(575)	(9)	(1.6)
	93	209	(116)	(55.5)

Despite the improvement in profit contribution from our plastics business, the reduction in operating profit generated from our core business segments has slashed the profitability registered in the 3rd quarter of 2016 by approximately \$0.1 million or 55.5% as compared to its corresponding period in 2015.

Fish

The shrink in operating profit despite an increase in revenue registered by the ornamental fish business in the 3rd quarter of 2016 as compared to its corresponding period in 2015 was a result of the difference in sales mix. The reliance and resilient of our ornamental fish export business continued to turn in stable revenue and generate respectable profit margins.

Accessories

Despite an increase in revenue, the dip in operating profit of our accessories business in the current quarter as compared to the corresponding period in 2015 was mainly due to our on-going efforts to capture more sales, which had sliced off the profit margin of our accessories business in the current quarter.

Plastics

Despite the constant revenue contribution in the current quarter, the improved profit margins and the difference in sales mix recorded in both periods had given rise to the surge in profit contribution from the plastics business by approximately \$0.1 million or 54.2% in the 3rd quarter of 2016 as compared to the corresponding period in 2015.



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

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

3Q 2016 vs 3Q 2015

Unallocated corporate expenses

These were staff costs and administrative expenses incurred in relation to the overseeing of both the Group's local and overseas operations.

3Q 2016 vs 2Q 2016

	Group		Increase (Decrease)	
	3Q 2016	2Q 2016		
Fish	164	173	(9)	(5.2)
Accessories	274	223	51	22.9
Plastics	239	190	49	25.8
Unallocated corporate expenses	(584)	(563)	(21)	(3.7)
	93	23	70	304.3

Fish

With the relative consistent revenue derived from the ornamental fish activities, the profitability registered in the 3rd quarter of 2016 by this business segment was comparable to the previous quarter.

Accessories

The better profit yielded from our accessories activities were in accordance with the steady increase in revenue from 2nd quarter 2016 to 3rd quarter of 2016.

Plastics

The increase in profitability from the plastic activities by 25.8% quarter-on-quarter was a result of the higher revenue registered following the resumption of demand from the domestic market, coupled with the improved profit margins as mentioned earlier.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

The prospects of our Group are:

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

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



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10 **PROSPECTS (cont'd)**

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

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

11 **DIVIDEND**

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

12 **INTERESTED PERSON TRANSACTIONS**

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

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

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>
	\$	\$	\$	\$
Fees paid to a company in which a director has an interest	-	8,600	-	8,600
Guarantee fee paid to a major shareholder of the Company *	30,000	32,200	30,000	32,200
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

* The Group and the Company are charged a guarantee fee of 0.5% per annum on the average balance of the outstanding amounts due from GZQH, a former subsidiary. The guarantee fee is payable to a major shareholder of the Company, for guaranteeing the payment of the outstanding amounts.

Except for the above, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the third quarter and the nine months ended 30 September 2016.



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13 SEGMENT INFORMATION

(a) **Business segments**

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

The Group's activities comprise the following reportable segments:

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

Group	9 months ended 30 Sep 2016				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	23,704	26,434	8,220	-	58,358
Inter-segment revenue	1,681	4,149	116	(5,946)	-
Total Revenue	25,385	30,583	8,336	(5,946)	58,358
Results					
EBITDA *	1,499	1,013	778	(1,521)	1,769
Depreciation and amortisation	(876)	(387)	(124)	-	(1,387)
Interest expense	(15)	(28)	(2)	(215)	(260)
Interest income	5	1	-	-	6
	613	599	652	(1,736)	128
Share of losses of associate	-	(10)	-	-	(10)
Profit before tax	613	589	652	(1,736)	118
Tax credit	20	92	-	-	112
Profit for the period	633	681	652	(1,736)	230
Net profit margin	2.7%	2.6%	7.9%		0.4%
Assets and Liabilities					
Segment assets	31,991	36,207	4,350	3,023	75,571
Investment in associate	-	297	-	-	297
Segment liabilities	4,778	4,597	2,025	13,869	25,269
Other Segment Information					
Expenditures for non-current assets **	565	307	299	-	1,171
Other non-cash items:					
Bad trade receivables written off	28	7	-	-	35
Gain on disposal of property, plant and equipment	(14)	(19)	(29)	-	(62)
Allowance for (Write back of allowance for)					
- doubtful trade receivables	49	85	5	-	139
- inventory obsolescence	-	(17)	-	-	(17)

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

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



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

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

Group	9 months ended 30 Sep 2015				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	23,677	26,568	8,390	-	58,635
Inter-segment revenue	1,582	4,875	188	(6,645)	-
Total Revenue	25,259	31,443	8,578	(6,645)	58,635
Results					
EBITDA *	1,479	1,365	634	(1,540)	1,938
Depreciation and amortisation	(747)	(368)	(93)	-	(1,208)
Interest expense	(21)	(22)	(1)	(176)	(220)
Interest income	3	1	-	-	4
	714	976	540	(1,716)	514
Share of profit of associate	-	27	-	-	27
Profit before tax	714	1,003	540	(1,716)	541
Tax expense	(120)	(28)	-	-	(148)
Profit for the period	594	975	540	(1,716)	393
Net profit margin	2.5%	3.7%	6.4%		0.7%
Assets and Liabilities					
Segment assets	31,734	37,547	4,151	2,888	76,320
Investment in associate	-	381	-	-	381
Segment liabilities	5,175	5,295	2,002	13,366	25,838
Other Segment Information					
Expenditures for non-current assets **	908	360	88	-	1,356
Other non-cash items:					
Bad trade receivables written off	35	10	-	-	45
Gain on disposal of property, plant and equipment	-	(29)	(3)	-	(32)
Allowance for (Write back of allowance for)					
- doubtful trade receivables	147	19	-	-	166
- inventory obsolescence	-	(50)	-	-	(50)
Change in fair value less estimated point-of-sale costs of breeder stocks	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	
	9 months ended 30 Sep		9 months ended 30 Sep		9 months ended 30 Sep	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	17,520	16,985	13,503	15,605	52,361	56,283
Other Asian countries	29,413	28,965	3,064	2,315	22,913	19,656
Europe	6,519	7,422	297	381	297	381
Others	4,906	5,263	-	-	-	-
Total	58,358	58,635	16,864	18,301	75,571	76,320

(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
3Q 2016				
Singapore (including domestic sales & sales to Singapore)	1,052	2,095	2,748	5,895
Overseas (including export to & sales in overseas)	6,595	7,089	68	13,752
Total revenue	7,647	9,184	2,816	19,647
3Q 2015				
Singapore	953	2,068	2,774	5,795
Overseas	5,926	6,095	24	12,045
Total revenue	6,879	8,163	2,798	17,840
9 months ended 30 Sep 2016				
Singapore (including domestic sales & sales to Singapore)	3,229	6,240	8,051	17,520
Overseas (including export to & sales in overseas)	20,475	20,194	169	40,838
Total revenue	23,704	26,434	8,220	58,358
9 months ended 30 Sep 2015				
Singapore	2,927	5,829	8,229	16,985
Overseas	20,750	20,739	161	41,650
Total revenue	23,677	26,568	8,390	58,635

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
17 October 2016