



QIAN HU CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. : 199806124N)

SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT OR LOSS**
FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2017

		Group			Group		
		3 months ended 30 Jun		Change %	6 months ended 30 Jun		Change %
		2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000	
Revenue		21,725	19,100	13.7	43,300	38,711	11.9
Cost of sales		(15,398)	(13,273)	16.0	(30,726)	(26,944)	14.0
Gross profit		6,327	5,827	8.6	12,574	11,767	6.9
Other income	i	40	31	29.0	70	114	(38.6)
		6,367	5,858	8.7	12,644	11,881	6.4
Selling & distribution expenses	ii	(308)	(394)	(21.8)	(621)	(690)	(10.0)
General & administrative expenses	ii	(5,891)	(5,353)	10.1	(11,604)	(10,976)	5.7
Results from operating activities	iii	168	111	51.4	419	215	94.9
Finance income	iv	2	4	(50.0)	3	5	(40.0)
Finance costs	iv	(98)	(86)	14.0	(179)	(177)	1.1
		72	29	148.3	243	43	465.1
Share of losses of associate		(9)	(6)	50.0	(5)	(18)	(72.2)
Profit before tax		63	23	173.9	238	25	852.0
Tax (expense) credit	v	(23)	49	(146.9)	(74)	126	(158.7)
Profit for the period		40	72	(44.4)	164	151	8.6
Profit attributable to:							
Owners of the Company		25	15	66.7	61	27	125.9
Non-controlling interests		15	57	(73.7)	103	124	(16.9)
Profit for the period		40	72	(44.4)	164	151	8.6
Gross profit margin		29.1%	30.5%		29.0%	30.4%	
Net profit margin		0.2%	0.4%		0.4%	0.4%	
Effective tax rate		39.7%	NM		33.6%	NM	

NM: Not meaningful



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STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2017

	<u>Group</u>			<u>Group</u>		
	<u>3 months ended 30 Jun</u>		<u>Change</u>	<u>6 months ended 30 Jun</u>		<u>Change</u>
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Profit for the period	40	72	(44.4)	164	151	8.6
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations, net of tax	(82)	(91)	(9.9)	(112)	(115)	(2.6)
Other comprehensive income for the period, net of tax	(82)	(91)	(9.9)	(112)	(115)	(2.6)
Total comprehensive income for the period	(42)	(19)	121.1	52	36	44.4
Total comprehensive income attributable to:						
Owners of the Company	29	(80)	136.3	26	(63)	141.3
Non-controlling interests	(71)	61	(216.4)	26	99	(73.7)
Total comprehensive income for the period	(42)	(19)	121.1	52	36	44.4

Notes to Statement of Profit or Loss

(i) **Other income**

Other income comprises:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>		<u>6 months ended 30 Jun</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Gain on disposal of property, plant and equipment	21	9	18	25
Sundry income	19	22	52	89
	40	31	70	114



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

(ii) **Selling & distribution expenses** – decreased by \$69K or 10.0% (YTD)
decreased by \$86K or 21.8% (2Q 2017)

General & administrative expenses – increased by \$628K or 5.7% (YTD)
increased by \$538K or 10.1% (2Q 2017)

The net increase in operating expenses by approximately \$0.5 million or 7.9% and \$0.6 million or 4.8% in the current quarter and in the 1st half of 2017 respectively was mainly due to:-

- higher revenue registered;
- expenses incurred by our newly acquired subsidiary in Guangzhou;
- higher personnel expenses as a result of increase in headcount and annual salary revision; and
- broad-spectrum increase in operating costs (e.g utilities costs) as a result of elevated inflationary pressure.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 30 Jun		6 months ended 30 Jun	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	27	31	54	58
- other auditors	4	2	7	5
Non-audit fees				
- other auditors	7	3	12	3
Directors' fees				
- directors of the Company	25	25	50	50
Directors' remuneration				
- directors of the Company	283	283	567	567
- directors of subsidiaries	92	87	183	175
Amortisation of intangible asset	5	-	11	-
Bad trade receivables written off	6	6	9	22
Depreciation of				
- property, plant and equipment	409	409	821	789
- brooder stocks	48	47	95	95
Allowance for (Write back of allowance for)				
- doubtful trade receivables	82	24	131	92
- inventory obsolescence	-	-	-	(17)
Operating lease expenses	295	255	576	532
Personnel expenses *	3,440	3,282	6,814	6,636
Exchange loss, net	122	45	202	261

* 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 Jun		6 months ended 30 Jun	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Interest expense				
- bank loans and overdrafts	85	71	156	147
- bills payable to banks	6	7	10	14
- finance lease liabilities	7	8	13	16
	98	86	179	177
Interest income				
- bank deposits	(2)	(4)	(3)	(5)
Net finance costs	96	82	176	172

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

	Group		Group	
	3 months ended 30 Jun		6 months ended 30 Jun	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current tax expense				
- current year	25	51	80	74
- over provision in respect of prior years	(2)	-	(6)	-
Deferred tax				
- over provision in respect of prior years	-	(100)	-	(200)
	23	(49)	74	(126)

The effective tax rate registered for the current quarter and for the half year ended 30 June 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 contributions from entities with a higher tax rate.



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

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	\$	\$	\$	\$
Assets				
Property, plant and equipment	9,272,447	8,749,943	5,071,447	5,348,168
Investment property	1,585,941	1,585,941	-	-
Intangible assets	878,380	889,380	878,380	889,380
Brooder stocks	8,784,833	8,179,749	8,784,833	8,179,749
Investments in subsidiaries	-	-	2,799,893	2,380,785
Investment in associate	272,492	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	29,825,240	28,713,784	26,978,300	26,241,829
Breeder stocks	95,970	66,780	95,970	66,780
Inventories	15,626,301	15,452,835	6,915,479	6,667,576
Trade receivables	16,553,045	17,559,155	9,204,455	10,295,379
Other receivables, deposits and prepayments	6,312,787	6,298,432	3,918,749	3,902,739
Due from				
- subsidiaries (trade)	-	-	6,696,151	6,435,585
- subsidiaries (non-trade)	-	-	2,992,969	2,842,969
- associate (trade)	888,264	848,973	888,264	848,973
Cash and bank balances	8,176,541	8,723,403	4,904,147	5,236,230
Current assets	47,652,908	48,949,578	35,616,184	36,296,231
Total assets	77,478,148	77,663,362	62,594,484	62,538,060
Equity				
Share capital	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	17,799,029	17,772,591	10,451,635	10,517,769
Equity attributable to owners of the Company	48,571,817	48,545,379	41,224,423	41,290,557
Non-controlling interests	1,973,916	1,948,389	-	-
Total equity	50,545,733	50,493,768	41,224,423	41,290,557
Liabilities				
Loans and borrowings	299,446	364,249	187,018	241,311
Deferred tax liabilities	49,581	49,703	-	-
Non-current liabilities	349,027	413,952	187,018	241,311
Trade payables	7,506,371	7,442,284	2,440,104	2,679,552
Other payables and accruals	3,533,853	3,800,646	2,547,710	2,663,923
Due to				
- subsidiaries (trade)	-	-	425,251	144,334
- subsidiaries (non-trade)	-	-	705,272	539,832
Loans and borrowings	15,212,161	15,205,094	14,857,249	14,771,094
Current tax payable	331,003	307,618	207,457	207,457
Current liabilities	26,583,388	26,755,642	21,183,043	21,006,192
Total liabilities	26,932,415	27,169,594	21,370,061	21,247,503
Total equity and liabilities	77,478,148	77,663,362	62,594,484	62,538,060



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

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Inventory turnover (days)	92	101	76	80
Trade receivables turnover (days)	101	115	133	150
Trade receivables turnover (days) (without GZQH balances)	68	75	70	82
Debt equity ratio	0.53	0.54	0.52	0.51

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

Notes to Statements of Financial Position

(1) Intangible assets comprise:

	Group and Company	
	30 Jun 2017	31 Dec 2016
	\$	\$
Trademarks/customer acquisition costs/ formulation rights	1,471,497	1,471,497
Product listing fees	196,153	196,153
	<u>1,667,650</u>	<u>1,667,650</u>
Less accumulated amortisation	(789,270)	(778,270)
	<u>878,380</u>	<u>889,380</u>

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 30 June 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	
	30 Jun 2017	31 Dec 2016	30 Jun 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 Aquaculture (Hainan) Co., Ltd (People's Republic of China)	51	-	419,108	-
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
			2,799,893	2,380,785

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

During the 2nd quarter of 2017, the Company injected approximately Rmb 2 million into Qian Hu Aquaculture (Hainan) Co., Ltd, which has a registered capital of Rmb 6 million. The Company is committed to contribute the balance of its share of paid up capital (approximately Rmb 1 million) in FY 2017.



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Notes to Statements of Financial Position (cont'd)

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

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	\$	\$	\$	\$
Unquoted equity investment	812,600	812,600	812,600	812,600
Less				
Share of post-acquisition losses	(318,329)	(313,197)	-	-
Impairment loss on investment	(221,779)	(221,779)	(400,000)	(400,000)
	272,492	277,624	412,600	412,600

Name of associate	Principal activities	Effective equity held by the Group	
		30 Jun 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 (\$\$) 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 \$7.5 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 30 June 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	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	\$	\$	\$	\$
Fish	2,866,572	2,846,279	2,060,878	2,038,362
Accessories	12,376,968	12,115,850	5,162,601	4,937,214
Plastics products - raw materials	237,218	284,783	-	-
Plastics products - finished goods	547,333	607,713	-	-
	16,028,091	15,854,625	7,223,479	6,975,576
Less allowance for inventory obsolescence	(401,790)	(401,790)	(308,000)	(308,000)
	15,626,301	15,452,835	6,915,479	6,667,576

The increase in accessories inventory balance as at 30 June 2017 was mainly due to purchases made for orders due for delivery in the 3rd quarter of 2017.

(8) Trade receivables comprise:

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	\$	\$	\$	\$
Trade receivables	18,439,979	19,936,636	10,952,770	12,584,669
Less allowance for doubtful trade receivables	(1,886,934)	(2,377,481)	(1,748,315)	(2,289,290)
	16,553,045	17,559,155	9,204,455	10,295,379

Our conscientious efforts made in monitoring and collection of trade receivables balances has resulted in the decrease in the amount of trade receivables as at 30 June 2017.

(9) Other receivables, deposits and prepayments comprise:

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	\$	\$	\$	\$
Other receivables *	2,397,330	2,956,216	2,220,868	2,827,386
Deposits	262,753	276,012	39,038	45,182
Prepayments	1,263,412	1,165,334	243,709	170,586
Advances to suppliers	661,055	636,309	565,134	595,821
Deposits for purchase of property, plant and equipment	1,657,688	1,212,651	850,000	263,764
Tax recoverable	70,549	51,910	-	-
	6,312,787	6,298,432	3,918,749	3,902,739



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Notes to Statements of Financial Position (cont'd)

- * Other receivables as at 30 June 2017 consist mainly of the outstanding amount due from the purchasers of Kim Kang of approximately \$2.1 million (31/12/16: \$2.8 million), which will be settled over a two-year period commencing 1 January 2017. As at 30 June 2017, the outstanding amount was reduced by \$0.7 million with the transfer of brooder stocks to the Group as settlement-in-kind (please refer to (2) above).

The higher amount of other receivables, deposits and prepayments balances as at 30 June 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; and
- increase in deposits for purchase of property, plant and equipment, mainly in relation to on-going enhancements to the Singapore farm facilities and infrastructure construction work undertaken by our China and Thailand subsidiaries. These amounts will be capitalised as property, plant and equipment upon the completion of the construction work.

(10) Other payables and accruals comprise:

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	\$	\$	\$	\$
Accrued operating expenses	479,916	529,817	383,296	451,629
Accrued staff costs	1,005,313	1,239,982	584,600	807,707
Other payables	1,667,287	1,655,057	1,346,062	1,291,925
Advance received from customers	381,337	375,790	233,752	112,662
	3,533,853	3,800,646	2,547,710	2,663,923

The decrease in other payables and accruals as at 30 June 2017 was mainly due to the reduction of accrued staff costs as a result of bonus payment made in January 2017.



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

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	\$	\$	\$	\$
Non-current liabilities				
Finance lease liabilities	299,446	364,249	187,018	241,311
	<u>299,446</u>	<u>364,249</u>	<u>187,018</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)	103,680	142,208	-	-
Bills payable to banks (unsecured)	385,319	353,721	272,004	196,696
Finance lease liabilities	223,162	209,165	85,245	74,398
	<u>15,212,161</u>	<u>15,205,094</u>	<u>14,857,249</u>	<u>14,771,094</u>
Total borrowings	<u>15,511,607</u>	<u>15,569,343</u>	<u>15,044,267</u>	<u>15,012,405</u>

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.65% to 3.00% (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 30 June 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).



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1(c) **STATEMENT OF CASH FLOWS**
FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2017

	Group		Group	
	3 months ended 30 Jun 2017	2016	6 months ended 30 Jun 2017	2016
	\$	\$	\$	\$
Cash flows from operating activities				
Profit before tax	62,466	23,158	238,100	25,334
Adjustments for:				
Bad trade receivables written off	5,978	6,100	9,373	21,973
Depreciation of				
- property, plant and equipment	408,446	409,266	820,943	789,540
- brooder stocks	48,249	47,375	94,916	94,750
Amortisation of intangible asset	5,500	-	11,000	-
Gain on disposal of				
property, plant and equipment	(20,480)	(9,387)	(17,674)	(25,064)
Property, plant and equipment written off	-	323	72	323
Allowance for (Write back of allowance for)				
- doubtful trade receivables	82,538	23,741	131,344	92,053
- inventory obsolescence	-	-	-	(17,000)
Share of losses of associate	8,884	6,637	5,132	18,334
Interest expense	97,475	86,850	178,786	177,196
Interest income	(1,823)	(4,232)	(2,947)	(5,141)
Operating profit before working capital changes	697,233	589,831	1,469,045	1,172,298
(Increase) Decrease in:				
Inventories	290,797	(116,010)	(114,040)	(201,140)
Breeder stocks	30	(3,900)	(29,190)	(11,400)
Trade receivables	119,122	224,565	777,615	400,452
Other receivables, deposits and prepayments	(184,159)	(126,325)	(696,366)	(515,395)
Due from associate (trade)	15,431	(84,415)	(39,291)	76,877
Increase (Decrease) in:				
Trade payables	(722,582)	304,047	128,868	267,260
Bills payable to banks	(134,278)	5,586	32,570	15,612
Other payables and accruals	(162,259)	(124,441)	(251,221)	(396,544)
Cash (used in) generated from operating activities	(80,665)	668,938	1,277,990	808,020
Tax paid	(58,121)	(134,680)	(69,806)	(148,125)
Net cash (used in) from operating activities	(138,786)	534,258	1,208,184	659,895
Cash flows from investing activities				
Purchase of property, plant and equipment	(663,173)	(400,543)	(1,339,494)	(967,469)
Proceeds from disposal of				
property, plant and equipment	20,480	13,045	25,600	28,722
Interest received	1,823	4,232	2,947	5,141
Net cash used in investing activities	(640,870)	(383,266)	(1,310,947)	(933,606)



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1(c) **STATEMENT OF CASH FLOWS**
FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

	Group		Group	
	3 months ended 30 Jun 2017	2016	6 months ended 30 Jun 2017	2016
	\$	\$	\$	\$
Cash flows from financing activities				
Repayment of				
- finance lease liabilities	(59,783)	(40,812)	(116,839)	(81,085)
- bank term loans	(19,392)	(18,480)	(38,880)	(36,864)
Payment of dividends to				
- owners of the Company	-	(227,052)	-	(227,052)
- non-controlling interests	(81,000)	-	(81,000)	-
Interest paid	(98,547)	(90,198)	(179,533)	(177,344)
Net cash used in financing activities	(258,722)	(376,542)	(416,252)	(522,345)
Net decrease in cash and cash equivalents	(1,038,378)	(225,550)	(519,015)	(796,056)
Cash and cash equivalents at beginning of period	9,210,456	7,181,218	8,723,403	7,771,930
Effect of exchange rate changes on cash balances held in foreign currencies	4,463	(36,999)	(27,847)	(57,205)
Cash and cash equivalents at end of period	8,176,541	6,918,669	8,176,541	6,918,669

Notes to Statement of Cash Flows

Despite higher profit generated during the period and lower inventory purchased, the **net cash used in operating activities** in the 2nd quarter of 2017 was due to the deliberate efforts made to settle outstanding debts and retire bills payable to banks earlier than its tenure as and when surplus funds are available in order to secure better purchasing terms with our regular suppliers and to reduce finance costs.

Net cash used in investing activities was mainly related to capital expenditure incurred for on-going enhancements to farm facilities, as well as the infrastructure construction work for our new aquaculture business.

Net cash used in financing activities was mainly related to the payment of dividend to the non-controlling shareholder of a subsidiary, the settlement of bank term loans and finance lease liabilities on a monthly basis, as well as the servicing of interest payments.



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

Group	Attributable to owners of the Company				Non-Controlling interests	Total Equity
	Share capital	Retained earnings	Translation reserve	Total		
	\$	\$	\$	\$	\$	\$
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	-	61,270	-	61,270	102,579	163,849
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	(34,832)	(34,832)	(77,052)	(111,884)
Total other comprehensive income	-	-	(34,832)	(34,832)	(77,052)	(111,884)
Total comprehensive income for the period	-	61,270	(34,832)	26,438	25,527	51,965
Balance at 30 Jun 2017	30,772,788	18,871,052	(1,072,023)	48,571,817	1,973,916	50,545,733



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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				
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				
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	-	(81,643)	-	(81,643)
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	-	(81,643)	15,509	(66,134)
Balance at 30 Jun 2017	30,772,788	10,455,377	(3,742)	41,224,423

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 30 Jun 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 30 June 2017 (30/6/2016: Nil).

The Company did not hold any treasury shares as at 30 June 2017 (30/6/2016: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 30 June 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 second quarter and six months ended 30 June 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
18 July 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 (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 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)**

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>		<u>6 months ended 30 Jun</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Earnings Per Ordinary Share (based on consolidated net profit attributable to owners)				
- on weighted average number of ordinary shares on issue (cents)	0.02	0.01	0.05	0.02
- on a fully diluted basis (cents)	0.02	0.01	0.05	0.02



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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 Jun 2017</u>	<u>31 Dec 2016</u>	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	44.52	44.48	36.31	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**

6 months 2017 vs 6 months 2016

	<u>Group</u>		<u>Increase</u>	
	<u>6 months ended 30 Jun</u>		<u>\$'000</u>	<u>%</u>
	<u>2017</u>	<u>2016</u>		
	\$'000	\$'000	\$'000	%
Fish	17,483	16,057	1,426	8.9
Accessories	20,038	17,250	2,788	16.2
Plastics	5,779	5,404	375	6.9
	<u>43,300</u>	<u>38,711</u>	<u>4,589</u>	11.9

For the 6 months ended 30 June 2017, the ornamental fish and accessories activities continued to be our core business segments, which together accounted for approximately 86.7% of the total revenue. Our revenue increased by approximately \$4.6 million or 11.9% from \$38.7 million for the 6 months ended 30 June 2016 to \$43.3 million for the 6 months ended 30 June 2017.

On a geographical basis, revenue from Singapore and overseas grew by approximately 1.6% and 16.2% respectively in the 1st half of 2017 as compared to its corresponding period in 2016.



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

(a) Revenue (cont'd)

2Q 2017 vs 2Q 2016

	<u>Group</u>		<u>Increase</u>	
	<u>2Q</u> <u>2017</u> \$'000	<u>2Q</u> <u>2016</u> \$'000	\$'000	%
Fish	8,216	7,649	567	7.4
Accessories	10,568	8,749	1,819	20.8
Plastics	2,941	2,702	239	8.8
	<u>21,725</u>	<u>19,100</u>	<u>2,625</u>	13.7

Our overall revenue increased by approximately \$2.6 million or 13.7% in the 2nd quarter of 2017 as compared to its corresponding period in 2016. All business segments registered improvement in revenue contribution during the current quarter.

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 \$0.6 million or 7.4% in the current quarter as compared to its corresponding period in 2016.

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 \$1.8 million or 20.8% 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 \$0.2 million or 8.8% in the 2nd quarter of 2017 as compared to its corresponding period in 2016.

2Q 2017 vs 1Q 2017

	<u>Group</u>		<u>Increase</u> <u>(Decrease)</u>	
	<u>2Q</u> <u>2017</u> \$'000	<u>1Q</u> <u>2017</u> \$'000	\$'000	%
Fish	8,216	9,267	(1,051)	(11.3)
Accessories	10,568	9,470	1,098	11.6
Plastics	2,941	2,838	103	3.6
	<u>21,725</u>	<u>21,575</u>	<u>150</u>	0.7



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

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

2Q 2017 vs 1Q 2017 (cont'd)

Although the revenue from our accessories activities registered noticeable growth quarter-on-quarter, the slide in our ornamental fish revenue had resulted in a marginal growth in overall revenue in the current quarter as compared to the previous quarter.

Fish

Moving into 2nd quarter of 2017, we saw a reduction in our ornamental fish revenue contribution by approximately \$1.1 million or 11.3% as compared to the previous quarter. This is mainly due to the summer holidays in Europe, which started in June and will extend till early September.

Our ornamental fish export is affected as it has been the norm that our European customers will mostly take off for their own vacation and do not actively make ornamental fish related purchases during the duration of the holiday season.

Accessories

Traditionally, during the 1st quarter of each year, revenue contribution is lower from our China operations as they are closed for operations during the week-long Chinese New Year holidays. This had attributed to the lower accessories revenue in the previous quarter. In the current quarter, our accessories export business continued its leverage on the Group's existing overseas distribution bases & network and infrastructure available to explore more untapped markets with growth potential, which had resulted in an increase in revenue contribution registered by this business segment of approximately \$1.1 million or 11.6% in the current quarter as compared to the previous quarter.

Plastics

Revenue from plastics business remained consistent in the current quarter, comparable to that of the previous quarter in 2017.

(b) **Profitability**

6 months 2017 vs 6 months 2016

	Group		Increase	
	6 months ended 30 Jun	2016	(Decrease)	
	2017	2016	\$'000	%
	\$'000	\$'000		
Fish	405	449	(44)	(9.8)
Accessories	717	315	402	127.6
Plastics	423	413	10	2.4
Unallocated corporate expenses	(1,307)	(1,152)	(155)	(13.5)
	<u>238</u>	<u>25</u>	<u>213</u>	<u>852.0</u>

In line with the higher overall revenue contribution registered, our operating profit increased by \$0.2 million for the 6 months ended 30 June 2017 as compared to its corresponding period in 2016, mainly due to the considerable improvement in profit generated from our accessories business.



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

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

2Q 2017 vs 2Q 2016

	Group		Increase (Decrease)	
	2Q 2017	2Q 2016		
Fish	23	173	(150)	(86.7)
Accessories	432	223	209	93.7
Plastics	222	190	32	16.8
Unallocated corporate expenses	(614)	(563)	(51)	(9.1)
	63	23	40	173.9

Despite the improvement in profit contribution from our accessories business, the reduction in operating profit generated from the ornamental fish business segment has slashed the growth in profitability registered in the 2nd quarter of 2017 as compared to its corresponding period in 2016.

Fish

Despite higher revenue registered by the ornamental fish business, the reduction in profitability in the 2nd quarter of 2017 as compared to its corresponding period in 2016 was a result of the difference in sales mix. In addition, the initial start-up costs incurred in relation the Group's new aquaculture business has constituted to the dip in profitability in the current quarter.

Accessories

The surge in the operating profit from our accessories activities by approximately \$0.2 million or 93.7% 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 more proprietary brand of innovative products so as to establish product differentiation which has derived better margins.

Plastics

The higher revenue registered by the plastic business in the current quarter, coupled with the difference in sales mix recorded in both periods had given rise to the improvement in profit contribution in the 2nd quarter of 2017, as compared to the corresponding period in 2016.

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.



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

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

2Q 2017 vs 1Q 2017

	Group		Increase (Decrease)	
	2Q 2017	1Q 2017	\$'000	%
Fish	23	382	(359)	(94.0)
Accessories	432	285	147	51.6
Plastics	222	201	21	10.4
Unallocated corporate expenses	(614)	(693)	79	11.4
	63	175	(112)	(64.0)

Fish

The decline in profitability from our ornamental fish business in the 2nd quarter of 2017 as compared to the previous quarter was in line with the lower revenue contribution and the initial start-up costs incurred in relation the Group's new aquaculture business as mentioned earlier.

Accessories

The better profit yielded from our accessories activities were in accordance with the steady increase in revenue from 1st quarter 2017 to 2nd quarter of 2017 as well as the sales of more proprietary brand of innovative products with better margins.

Plastics

The relatively consistent revenue registered by the plastics business in both quarters gave rise to the comparable profit registered quarter-on-quarter.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

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.



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10 PROSPECTS (cont'd)

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 China consumer market so as to build our new aquaculture business to be many times bigger than our existing businesses, which we expect to contribute positively to our Group's results in FY 2018. 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 30 June 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").

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

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2017</u>	<u>30 Jun 2016</u>	<u>30 Jun 2017</u>	<u>30 Jun 2016</u>
	\$	\$	\$	\$
Guarantee fee paid to a major shareholder of the Company *	18,900	20,200	18,900	20,200
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 second quarter and the six months ended 30 June 2017.



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13 SEGMENT INFORMATION

(a) **Business segments**

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

The Group's activities comprise the following reportable segments:

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

Group	6 months ended 30 Jun 2017				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	17,483	20,038	5,779	-	43,300
Inter-segment revenue	926	2,382	64	(3,372)	-
Total Revenue	18,409	22,420	5,843	(3,372)	43,300
Results					
EBITDA *	1,016	977	508	(1,155)	1,346
Depreciation and amortisation	(606)	(238)	(83)	-	(927)
Interest expense	(7)	(18)	(2)	(152)	(179)
Interest income	2	1	-	-	3
	405	722	423	(1,307)	243
Share of losses of associate	-	(5)	-	-	(5)
Profit before tax	405	717	423	(1,307)	238
Tax expense	(62)	(12)	-	-	(74)
Profit for the period	343	705	423	(1,307)	164
Net profit margin	2.0%	3.5%	7.3%		0.4%
Assets and Liabilities					
Segment assets	32,064	39,356	4,452	1,606	77,478
Investment in associate	-	272	-	-	272
Segment liabilities	4,418	5,920	1,833	14,761	26,932
Other Segment Information					
Expenditures for non-current assets **	1,210	183	13	-	1,406
Other non-cash items:					
Bad trade receivables written off	4	5	-	-	9
(Gain) Loss on disposal of property, plant and equipment	(21)	8	(5)	-	(18)
Allowance for doubtful trade receivables	43	88	-	-	131

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

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



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

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

Group	6 months ended 30 Jun 2016				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	16,057	17,250	5,404	-	38,711
Inter-segment revenue	1,127	2,446	83	(3,656)	-
Total Revenue	17,184	19,696	5,487	(3,656)	38,711
Results					
EBITDA *	1,004	605	495	(1,005)	1,099
Depreciation and amortisation	(550)	(254)	(80)	-	(884)
Interest expense	(9)	(19)	(2)	(147)	(177)
Interest income	4	1	-	-	5
	449	333	413	(1,152)	43
Share of losses of associate	-	(18)	-	-	(18)
Profit before tax	449	315	413	(1,152)	25
Tax credit (expense)	52	99	(25)	-	126
Profit for the period	501	414	388	(1,152)	151
Net profit margin	3.1%	2.4%	7.2%		0.4%
Assets and Liabilities					
Segment assets	30,910	36,584	4,055	3,270	74,819
Investment in associate	-	289	-	-	289
Segment liabilities	4,258	4,652	1,988	13,804	24,702
Other Segment Information					
Expenditures for non-current assets **	571	203	282	-	1,056
Other non-cash items:					
Bad trade receivables written off	11	11	-	-	22
Gain on disposal of property, plant and equipment	(4)	(9)	(12)	-	(25)
Allowance for (Write back of allowance for)					
- doubtful trade receivables	53	37	2	-	92
- 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	
	6 months ended 30 Jun		6 months ended 30 Jun		6 months ended 30 Jun	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	11,816	11,625	23,925	13,528	51,735	52,830
Other Asian countries	24,040	19,623	5,628	3,058	25,471	21,700
Europe	4,412	4,363	272	289	272	289
Others	3,032	3,100	-	-	-	-
Total	43,300	38,711	29,825	16,875	77,478	74,819

(c) **Major customers**

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

14 **BREAKDOWN OF REVENUE**

Group	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
2Q 2017				
Singapore (including domestic sales & sales to Singapore)	1,012	2,089	2,825	5,926
Overseas (including export to & sales in overseas)	7,204	8,479	116	15,799
Total revenue	8,216	10,568	2,941	21,725
2Q 2016				
Singapore	1,038	2,018	2,665	5,721
Overseas	6,611	6,731	37	13,379
Total revenue	7,649	8,749	2,702	19,100
6 months ended 30 Jun 2017				
Singapore (including domestic sales & sales to Singapore)	2,102	4,107	5,607	11,816
Overseas (including export to & sales in overseas)	15,381	15,931	172	31,484
Total revenue	17,483	20,038	5,779	43,300
6 months ended 30 Jun 2016				
Singapore	2,177	4,145	5,303	11,625
Overseas	13,880	13,105	101	27,086
Total revenue	16,057	17,250	5,404	38,711

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
18 July 2017