QIAN HU CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. : 199806124N)

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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QIAN HU CORPORATION LIMITED
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FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) STATEMENT OF PROFIT OR LOSS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 3 months ended 31 Dec 2015 $'000	Group 3 months ended 31 Dec 2014 $'000	Change %	Group Financial year ended 31 Dec 2015 $'000	Group Financial year ended 31 Dec 2014 $'000	Change %
Revenue		19,335	21,298	(9.2)	77,970	83,526	(6.7)
Cost of sales		(13,651)	(16,504)	(17.3)	(55,806)	(60,327)	(7.5)
Gross profit		5,684	4,794	18.6	22,164	23,199	(4.5)
Other income (expenses)	i	65	(70)	192.9	217	33	557.6
		5,749	4,724	21.7	22,381	23,232	(3.7)
Selling & distribution expenses	ii	(610)	(487)	25.3	(1,521)	(1,596)	(4.7)
General & administrative expenses	ii	(4,978)	(3,815)	30.5	(19,969)	(20,309)	(1.7)
Results from operating activities	iii	161	422	(61.8)	891	1,327	(32.9)
Finance income	iv	2	3	(33.3)	6	10	(40.0)
Finance costs	iv	(82)	(63)	30.2	(302)	(255)	18.4
		81	362	(77.6)	595	1,082	(45.0)
Share of (losses) profits of associates		(73)	(4)	NM	(46)	16	(387.5)
Profit before tax		8	358	(97.8)	549	1,098	(50.0)
Tax expense	v	(129)	(118)	9.3	(277)	(405)	(31.6)
(Loss) Profit for the period/year		(121)	240	(150.4)	272	693	(60.8)
(Loss) Profit attributable to:							
Owners of the Company		**(198)**	**176**	**(212.5)**	**19**	**392**	**(95.2)**
Non-controlling interests		77	64	20.3	253	301	(15.9)
(Loss) Profit for the period/year		(121)	240	(150.4)	272	693	(60.8)
Gross profit margin		29.4%	22.5%		28.4%	27.8%	
Net profit margin *		(0.6%)	1.8%		0.3%	1.0%	
Effective tax rate *		-	-		57.2%	34.1%	
Return on equity		-	-		0.0%	0.8%	

* excluded the loss on disposal of an associate.

NM: Not Meaningful

QIAN HU CORPORATION LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group			Group		
	3 months ended 31 Dec			Financial year ended 31 Dec		
	2015	2014	Change	2015	2014	Change
	$'000	$'000	%	$'000	$'000	%
(Loss) Profit for the period/year	(121)	240	(150.4)	272	693	(60.8)
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations, net of tax	(53)	76	(169.7)	(485)	158	(407.0)
Other comprehensive income for the period/year, net of tax	(53)	76	(169.7)	(485)	158	(407.0)
Total comprehensive income for the period/year	(174)	316	(155.1)	(213)	851	(125.0)
Total comprehensive income attributable to:						
Owners of the Company	**(245)**	**218**	**(212.4)**	**(421)**	**493**	**(185.4)**
Non-controlling interests	71	98	(27.6)	208	358	(41.9)
Total comprehensive income for the period/year	(174)	316	(155.1)	(213)	851	(125.0)

Notes to Statement of Profit or Loss

(i) Other income (expenses)

Other income (expenses) comprises:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Gain on disposal of property, plant and equipment	15	13	47	24
Sundry income	50	51	170	143
Loss on disposal of an associate	-	(134)	-	(134)
	65	(70)	217	33

The loss on disposal of an associate of approximately $134K arose from the disposal of the Group's entire equity interest in one of its associates, Qian Hu Aquasstar (India) Private Limited, to its joint venture partner during the 4th quarter of 2014 for a cash consideration of $140K.

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

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

The increase in operating expenses of approximately $1.3 million in the 4th quarter of 2015 was mainly due to exchange loss incurred in the current quarter as compared to an exchange gain registered in its corresponding period in 2014, coupled with the broad-spectrum increase in operating costs (e.g. utilities costs) as a result of the continuous elevated inflationary pressure.

We managed to close the current financial year with a reduction in operating expenses of approximately $0.4 million as compared to FY 2014. This was a result of some cost saving initiatives experienced in the earlier quarters. Our Group has been making conscientious efforts to contain operating costs, which was in accordance with our objective to be more productive and efficient in the long run.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Auditors' remuneration				
- auditors of the Company	21	20	105	99
- other auditors	9	6	16	14
Non-audit fees				
- other auditors	11	11	25	29
Directors' fees				
- directors of the Company	25	20	90	80
Directors' remuneration				
- directors of the Company	281	316	1,126	1,155
- directors of subsidiaries	86	110	381	449
Bad trade receivables (recovered) written off	(1)	(1)	43	57
Depreciation of				
- property, plant and equipment	361	350	1,427	1,406
- brooder stocks	47	47	190	189
Property, plant and equipment written off	-	-	-	5
Allowance for (Write back of allowance for)				
- doubtful trade receivables	16	54	182	476
- inventory obsolescence	-	(15)	(50)	(15)
Operating lease expenses	262	87	1,102	1,040
Personnel expenses *	2,790	2,699	12,589	12,691
Exchange loss (gain), net	39	(395)	(495)	(536)
Change in fair value less estimated point-of-sale costs of breeder stocks	-	-	17	20

* Include directors' remuneration.

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

(iv) **Finance income**
Finance costs

	Group 3 months ended 31 Dec 2015 $'000	Group 3 months ended 31 Dec 2014 $'000	Group Financial year ended 31 Dec 2015 $'000	Group Financial year ended 31 Dec 2014 $'000
Interest expense				
- bank loans and overdrafts	68	43	244	192
- bills payable to banks	5	9	20	32
- finance lease liabilities	9	11	38	31
	82	63	302	255
Interest income				
- bank deposits	(2)	(3)	(6)	(10)
Net finance costs	80	60	296	245

The increase in net interest expense by approximately 33.3% and 20.8% in the current quarter and for the year ended 31 December 2015 respectively as compared to its corresponding periods in 2014 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**

	Group 3 months ended 31 Dec 2015 $'000	Group 3 months ended 31 Dec 2014 $'000	Group Financial year ended 31 Dec 2015 $'000	Group Financial year ended 31 Dec 2014 $'000
Current tax expense				
- current year	131	145	314	420
- over provision in respect of prior years	(20)	(27)	(55)	(15)
Deferred tax				
- origination and reversal of temporary differences	18	-	18	-
	129	118	277	405

Despite the tax incentives granted for qualifying expenditures, the effective tax rate for the year ended 31 December 2015 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**

	Note	Group		Company	
		31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
		$	$	$	$
Assets					
Property, plant and equipment	i	8,076,128	7,737,925	5,377,236	5,313,275
Intangible assets	ii	343,048	343,048	343,048	343,048
Brooder stocks	iii	8,365,583	8,555,082	8,365,583	8,555,082
Investments in subsidiaries	iv	-	-	2,295,785	2,295,785
Investment in associate	v	307,463	353,112	412,600	412,600
Other receivables	vi	-	1,240,000	-	1,240,000
Non-current assets		17,092,222	18,229,167	16,794,252	18,159,790
Breeder stocks	vii	24,780	44,440	24,780	44,440
Inventories	viii	15,747,853	16,539,943	7,043,358	7,223,770
Trade receivables	ix	25,557,541	25,918,617	19,279,456	19,617,127
Other receivables, deposits and prepayments	x	8,810,690	6,747,002	6,611,893	5,284,609
Due from					
- subsidiaries (trade)		-	-	6,233,190	6,871,287
- subsidiaries (non-trade)		-	-	1,274,808	1,276,078
- associate (trade)	xi	811,940	651,581	811,940	651,581
Cash and bank balances		7,771,930	8,557,302	4,287,591	5,011,121
Current assets		58,724,734	58,458,885	45,567,016	45,980,013
Total assets		75,816,956	76,688,052	62,361,268	64,139,803
Equity					
Share capital	xii	30,772,788	30,772,788	30,772,788	30,772,788
Reserves		17,899,904	18,775,333	11,354,087	11,581,698
Equity attributable to owners of the Company		48,672,692	49,548,121	42,126,875	42,354,486
Non-controlling interests		1,635,086	1,505,172	-	-
Total equity		50,307,778	51,053,293	42,126,875	42,354,486
Liabilities					
Loans and borrowings	xiii	141,535	155,492	824	19,155
Deferred tax liabilities		428,582	410,000	380,000	380,000
Non-current liabilities		570,117	565,492	380,824	399,155
Trade payables	xiv	5,968,974	6,388,559	2,268,637	2,738,546
Other payables and accruals	xv	4,120,667	4,420,092	3,150,899	3,606,202
Due to					
- subsidiaries (trade)		-	-	208,666	147,005
- subsidiaries (non-trade)		-	-	46,657	1,304,410
Loans and borrowings	xiii	14,427,293	13,836,462	13,971,253	13,382,542
Current tax payable		422,127	424,154	207,457	207,457
Current liabilities		24,939,061	25,069,267	19,853,569	21,386,162
Total liabilities		25,509,178	25,634,759	20,234,393	21,785,317
Total equity and liabilities		75,816,956	76,688,052	62,361,268	64,139,803

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

	Group		Company	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Inventory turnover (days)	106	101	78	73
Trade receivables turnover (days)	120	113	156	145
Trade receivables turnover (days) *(without GZQH balances)*	76	74	81	79
Debt equity ratio	0.51	0.50	0.48	0.51

Note - With the disposal of Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH"), a former subsidiary, 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

(i) Property, plant and equipment

The increase in property, plant and equipment during the financial year was mainly related to capital expenditure incurred for the enhancement of infrastructure and construction work undertaken in Singapore and overseas on our farm facilities.

(ii) Intangible assets

	Group		Company	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
	$	$	$	$
Trademarks/customer acquisition costs	921,497	937,041	921,497	921,497
Product listing fees	196,153	196,153	196,153	196,153
	1,117,650	1,133,194	1,117,650	1,117,650
Less accumulated amortisation	(774,602)	(790,146)	(774,602)	(774,602)
	343,048	343,048	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 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.

Notes to Statements of Financial Position (cont'd)

(iii) **Brooder stocks**

	Group and Company	
	31 Dec 2015	**31 Dec 2014**
	$	$
Cost		
Balance as at 1 Jan and 31 Dec	9,475,000	9,475,000
Accumulated depreciation		
Balance as at 1 Jan	919,918	730,418
Depreciation charge for the year	189,499	189,500
Balance as at 31 Dec	1,109,417	919,918
Net carrying value		
Balance as at 31 Dec	8,365,583	8,555,082

Brooder stocks are parent stocks of Dragon Fish, held by the Group and the Company for use in the breeding of Dragon Fish. Due to the uniqueness of each Dragon Fish and as an active market does not exist for the brooder stocks, the brooder stocks are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

(iv) **Investments in subsidiaries**

The details of subsidiaries are as follows:

Name of subsidiary	**Effective equity interest held by the Group**		**Cost of investment by the Company**	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
	%	%	$	$
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
	Balance carried forward		1,761,773	1,761,773

Notes to Statements of Financial Position (cont'd)

(iv) **Investments in subsidiaries (cont'd)**

Name of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	%	%	$	$
	Balance brought forward		1,761,773	1,761,773
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 NNTL (Thailand) Limited.

(v) **Investment in associate**

The details of associate is as follows:

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	$	$	$	$
Unquoted equity investment	812,600	812,600	812,600	812,600
Less				
Share of post-acquisition losses	(283,358)	(237,709)	-	-
Impairment loss on investment	(221,779)	(221,779)	(400,000)	(400,000)
	307,463	353,112	412,600	412,600

Name of associate	Principal activities	Effective equity held by the Group	
		31 Dec 2015	31 Dec 2014
		%	%
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.

Notes to Statements of Financial Position (cont'd)

(vi) **Other receivables**

Other receivables (non-current portion) as at 31 December 2014 consisted of the outstanding amounts due from the purchasers of Kim Kang ("the Purchasers") of $877,500 and the advances extended by the Company to Kim Kang before its disposal of $362,500, totalling $1.24 million.

In accordance with the Sale and Purchase Agreement ("SPA") entered into between the Company and the Purchasers dated 17 October 2012, the total consideration of $9.4 million arising from the disposal of Kim Kang is to be satisfied by $3.9 million in cash and $5.5 million of brooder stocks. Upon the execution of the SPA, a payment of 10% of the cash consideration, being $390,000, has been made by the Purchasers, together with the transfer of all brooder stocks. The balance of the cash portion of the consideration of $3.51 million will be settled in four equal annual instalments, on the first (FY 2013), second (FY 2014), third (FY 2015) and fourth (FY 2016) anniversaries of the SPA date, of $877,500 each.

In addition, the Company, being a shareholder of Kim Kang previously, had from time to time, given advances to Kim Kang. As at the SPA date, the total amount of the advances extended by the Company to Kim Kang was $2 million. The Company has entered into an Advances Repayment Agreement dated 17 October 2012, such that upon the execution of the SPA, Kim Kang has repaid $550,000 of the advances extended by the transfer of 100 pieces of brooder stocks. The balance of the advances of $1.45 million will be settled in four equal annual instalments, on the first, second, third and fourth anniversaries of the SPA date, of $362,500 each.

The first instalment in relation to the above, amounting to $1.24 million, had been fully repaid in October 2013.

For the second and third instalment due in October 2014 and October 2015 respectively, 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 amount 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 outstanding amount due from the Purchasers of $2.48 million, will be settled by December 2016 in 12 monthly instalments. 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 outstanding amount. 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.

Notes to Statements of Financial Position (cont'd)

(vii) Breeder stocks

	Group and Company	
	31 Dec 2015	31 Dec 2014
	$	$
Balance as at 1 Jan	44,440	71,750
Change in fair value less estimated point-of-sale costs	(17,200)	(20,450)
Decreases due to sales	(497,970)	(597,880)
Net increase due to births	495,510	591,020
Balance as at 31 Dec	24,780	44,440

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 decrease in breeder stocks balance as at 31 December 2015 was mainly due to difference in quantity, valuation and product mix in relation to the breeder stocks held as at both reporting dates.

(viii) Inventories

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	$	$	$	$
Fish	3,156,929	3,706,347	2,324,237	2,673,101
Accessories	12,122,893	12,469,341	5,044,121	4,925,669
Plastics products - raw materials	363,295	299,332	-	-
Plastics products - finished goods	523,526	533,713	-	-
	16,166,643	17,008,733	7,368,358	7,598,770
Less allowance for inventory obsolescence	(418,790)	(468,790)	(325,000)	(375,000)
	15,747,853	16,539,943	7,043,358	7,223,770

The reduction in fish inventory balances as at 31 December 2015 was mainly due to lower quantity of Dragon Fish held in view of the declining selling prices. Whereas the decrease in accessories inventory balance was a result of the sales of the new innovative accessories products launched in the current financial year.

(ix) Trade receivables

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	$	$	$	$
Trade receivables	27,917,547	28,634,479	21,562,976	22,240,593
Less allowance for doubtful trade receivables	(2,360,006)	(2,715,862)	(2,283,520)	(2,623,466)
	25,557,541	25,918,617	19,279,456	19,617,127

Notes to Statements of Financial Position (cont'd)

(ix) **Trade receivables (cont'd)**

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 31 December 2015.

The Group and the Company has reclassified its trade balances with GZQH, a former subsidiary, 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.

(x) **Other receivables, deposits and prepayments**

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	$	$	$	$
Other receivables *	3,940,304	2,748,572	3,842,681	2,648,327
Deposits	423,534	353,735	67,385	77,520
Prepayments	1,185,774	751,682	213,473	313,410
Advances to suppliers	2,179,444	2,354,421	2,109,301	2,230,636
Deposits for purchase of property, plant and equipment	1,048,863	523,241	379,053	14,716
Tax recoverable	32,771	15,351	-	-
	8,810,690	6,747,002	6,611,893	5,284,609

* Other receivables (current portion) as at 31 December 2015 consist of the outstanding amounts due from the purchasers of Kim Kang of $2,632,500 (31/12/14: $1,755,000) and the advances extended by the Company to Kim Kang before its disposal of $1,087,500 (31/12/14: $725,000), totalling $3.72 million (31/12/14: $2.48 million).

The higher amount of other receivables, deposits and prepayments balances as at 31 December 2015 was mainly due to:-

- increase in other receivables as a result of the reclassification of the final instalment of the consideration and advances due from Kim Kang and its purchasers, from non-current assets to current assets, as the amounts will be due in October 2016.
- increase in prepayments as we have made payments for certain expenses in the 4th quarter of 2015. Such amounts will be charged to the statement of profit or loss throughout the next financial year.
- increase in deposits for purchase of property, plant and equipment in relation to the on-going infrastructure construction work undertaken by our Singapore and overseas entities. These amounts will be capitalised as plant, property and equipment upon the completion of the construction work.

(xi) **Due from associate**

The increase in amount due from associate as at 31 December 2015 was mainly due to higher trade activities with the associate in FY 2015.

Notes to Statements of Financial Position (cont'd)

(xii) **Share capital**

	Group and Company			
	31 Dec 2015 Number of shares	**31 Dec 2014 Number of shares**	**31 Dec 2015 $**	**31 Dec 2014 $**
Share capital				
Ordinary shares issued and fully paid	113,526,467	454,106,350	30,772,788	30,772,788

On 6 August 2015, the Company has completed a share consolidation exercise to consolidate every four ordinary shares in the capital of the Company held by the shareholders into one consolidated share, so as to comply with the Minimum Trading Price ("MTP") requirement as implemented by the SGX-ST as an additional continuing listing requirement. The issued share capital of the Company as at 31 December 2015 comprises 113,526,467 consolidated shares, after disregarding any fractions of consolidated shares arising from the share consolidation exercise.

There were no outstanding convertibles as at 31 December 2015 (31/12/2014: Nil).

The Company did not hold any treasury shares as at 31 December 2015 (31/12/2014: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the financial year ended 31 December 2015.

(xiii) **Loans and borrowings**

	Group		Company	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
	$	$	$	$
Non-current liabilities				
Finance lease liabilities	141,535	155,492	824	19,155
	141,535	155,492	824	19,155
Current liabilities				
Term loans				
- short-term (unsecured)	13,500,000	13,000,000	13,500,000	13,000,000
- long-term (secured)	212,160	295,872	-	-
Bills payable to banks (unsecured)	580,308	408,515	452,922	345,986
Finance lease liabilities	134,825	132,075	18,331	36,556
	14,427,293	13,836,462	13,971,253	13,382,542
Total borrowings	14,568,828	13,991,954	13,972,077	13,401,697

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2014 and 2015.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.875% to 2.30% (31/12/2014: 1.275% to 1.78%) per annum and are repayable within the next 12 months from the reporting date.

Notes to Statements of Financial Position (cont'd)

(xiii) **Loans and borrowings (cont'd)**

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

The weighted average effective interest rates per annum relating to bills payable to banks of the Group and of the Company are 5.65% (31/12/2014: 5.65%) and 5.25% (31/12/2014: 5.25%) respectively. These bills mature within one to four months from the reporting date.

As at 31 December 2015, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $1.7 million (31/12/2014: $1.8 million).

(xiv) **Trade payables**

The reduction in trade payables as at 31 December 2015 was due to prompt settlement so as to secure better trade discounts with our regular suppliers for purchases made.

(xv) **Other payables and accruals**

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	$	$	$	$
Accrued operating expenses	400,843	290,670	316,555	185,923
Accrued staff costs	1,198,177	1,668,803	771,872	1,326,128
Other payables	2,054,809	2,071,464	1,840,129	1,811,409
Advance received from customers	466,838	389,155	222,343	282,742
	4,120,667	4,420,092	3,150,899	3,606,202

The decrease in other payables and accruals as at 31 December 2015 was mainly due to lower provision made for bonus payment in the current financial year, which is in line with the decline in profit registered in FY 2015 as compared to FY 2014.

1(c) **STATEMENT OF CASH FLOWS**
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2015	2014	2015	2014
	$	$	$	$
Cash flows from operating activities				
Profit before tax	8,013	357,450	549,462	1,097,560
Adjustments for:				
Bad trade receivables (recovered) written off	(1,484)	(1,129)	43,402	57,122
Depreciation of				
- property, plant and equipment	360,919	349,522	1,427,321	1,405,599
- brooder stocks	47,374	47,375	189,499	189,500
(Gain) Loss on disposal of				
- property, plant and equipment	(14,828)	(12,904)	(46,953)	(24,395)
- an associate	-	134,009	-	134,009
Property, plant and equipment written off	-	109	-	5,112
Change in fair value less estimated point-of-sale costs of breeder stocks	-	-	17,200	20,450
Allowance for (Write back of allowance for)				
- doubtful trade receivables	15,885	54,311	181,522	476,381
- inventory obsolescence	-	(15,000)	(50,000)	(15,000)
Share of losses (profits) of associates	73,039	4,453	45,649	(15,908)
Interest expense	81,602	63,289	301,991	256,090
Interest income	(1,769)	(2,775)	(6,044)	(10,267)
Operating profit before working capital changes	568,751	978,710	2,653,049	3,576,253
(Increase) Decrease in:				
Inventories	1,816,492	1,582,659	731,479	98,579
Breeder stocks	810	2,700	2,460	6,860
Trade receivables	(1,354,716)	(432,767)	(105,823)	1,046,071
Other receivables, deposits and prepayments	(529,560)	103,621	(881,904)	(57,485)
Due from associate (trade)	306,095	209,064	(160,359)	(271,580)
Increase (Decrease) in:				
Trade payables	(1,168,522)	(1,546,215)	(333,305)	(374,318)
Bills payable to banks	233,777	(239,088)	180,537	(290,669)
Other payables and accruals	27,232	149,083	(271,780)	631,944
Cash (used in) generated from operating activities	(99,641)	807,767	1,814,354	4,365,655
Tax paid	(15,801)	(61,440)	(276,166)	(417,847)
Net cash (used in) from operating activities	(115,442)	746,327	1,538,188	3,947,808
Cash flows from investing activities				
Purchase of property, plant and equipment	(438,295)	(578,870)	(1,719,423)	(1,953,171)
Proceeds from disposal of				
- property, plant and equipment	15,044	12,753	49,354	32,284
- an associate	-	140,000	-	140,000
Interest received	1,769	2,775	6,044	10,267
Net cash used in investing activities	(421,482)	(423,342)	(1,664,025)	(1,770,620)

1(c) **STATEMENT OF CASH FLOWS**
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2015	2014	2015	2014
	$	$	$	$
Cash flows from financing activities				
Drawdown of bank term loans	500,000	295,872	500,000	2,295,872
Repayment of				
- finance lease liabilities	(37,134)	(35,582)	(145,118)	(150,796)
- bank term loans	(18,432)	-	(74,880)	(1,000,000)
- advance from a major shareholder of the Company	-	-	-	(500,000)
Payment of dividends to				
- owners of the Company	-	-	(454,106)	(454,106)
- non-controlling interests	-	(133,320)	(78,000)	(337,680)
Interest paid	(79,979)	(62,698)	(299,882)	(256,685)
Net cash from (used in) financing activities	364,455	64,272	(551,986)	(403,395)
Net (decrease) increase in cash and cash equivalents	(172,469)	387,257	(677,823)	1,773,793
Cash and cash equivalents at beginning of period/year	7,976,416	8,120,965	8,557,302	6,712,349
Effect of exchange rate changes on cash balances held in foreign currencies	(32,017)	49,080	(107,549)	71,160
Cash and cash equivalents at end of period/year	7,771,930	8,557,302	7,771,930	8,557,302

Notes to Statement of Cash Flows

(i) Overall, our cash and cash equivalents decreased by approximately $0.2 million and $0.7 million from a quarter and a year ago respectively.

The reduction in **net cash from operating activities** in the current quarter and for the financial year ended 31 December 2015 was mainly due to lower profit generated, coupled with prompt settlement of trade and other payables.

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.

During the financial year ended 31 December 2015, the net cash proceeds received from banks borrowings were mainly utilised for the payment of dividends to the non-controlling shareholder of a subsidiary and the settlement of finance lease liabilities on a monthly basis, as well as the servicing of interest payments. The above, coupled with the payment of final dividends to the shareholders of the Company in April 2015, resulted in **net cash used in financing activities**.

The net cash from financing activities in the 4th quarter of 2015 was mainly related to proceeds from the additional drawdown of bank term loans during the current quarter.

QIAN HU CORPORATION LIMITED
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(Company Registration No. : 199806124N)

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

	Attributable to owners of the Company					
Group	**Share capital** $	**Retained earnings** $	**Translation reserve** $	**Total** $	**Non-Controlling interests** $	**Total Equity** $
Balance at 1 Jan 2014	30,772,788	19,466,582	(730,156)	49,509,214	1,485,309	50,994,523
Total comprehensive income for the year						
Profit for the year	-	391,881	-	391,881	300,528	692,409
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	101,132	101,132	57,015	158,147
Total other comprehensive income	-	-	101,132	101,132	57,015	158,147
Total comprehensive income for the year	-	391,881	101,132	493,013	357,543	850,556
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	-	-	-	-	(337,680)	(337,680)
Total transactions with owners	-	(454,106)	-	(454,106)	(337,680)	(791,786)
Balance at 31 Dec 2014	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

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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 2014	30,772,788	11,574,672	(26,493)	42,320,967
Total comprehensive income for the year				
Profit for the year	-	496,520	-	496,520
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	(8,895)	(8,895)
Total other comprehensive income	-	-	(8,895)	(8,895)
Total comprehensive income for the year	-	496,520	(8,895)	487,625
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 2014	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

2 **AUDIT**

The full year financial statements have been audited by the Company's auditors.

3 **AUDITORS' REPORT**

See attached auditors' report.

4 **ACCOUNTING POLICIES**

Other than the adoption of the new and revised Financial Reporting Standards (FRS) as mentioned in paragraph 5 below, 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**

During the current financial year, the Group and the Company have adopted the following new and revised FRS which took effect from financial year beginning 1 January 2015:

- Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*
- Improvements to FRS (January 2014 and February 2014)

The adoption of these new and revised FRS is assessed to have no financial effect on the results and financial position of the Group and of the Company for the current and the previous financial years. Accordingly, it has no impact on the earnings per share of the Group and of the Company.

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

	Group		**Group**	
	3 months ended 31 Dec		**Financial year ended 31 Dec**	
	2015	**2014**	**2015**	**2014**
(Loss) Earnings Per Ordinary Share (based on consolidated net profit (loss) attributable to owners)				
- on weighted average number of ordinary shares on issue (cents)	(0.17)	0.16	0.02	0.35
- on a fully diluted basis (cents)	(0.17)	0.16	0.02	0.35

(Loss) 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**

	Group		Company	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Net asset value per share based on existing issued share capital as at the respective dates (cents)	44.31	44.97	37.11	37.31

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

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

Financial year 2015 vs financial year 2014

	Group			
	Financial year ended 31 Dec		**Increase (Decrease)**	
	2015	**2014**		
	$'000	$'000	$'000	%
Fish	31,372	35,371	(3,999)	(11.3)
Accessories	35,399	37,523	(2,124)	(5.7)
Plastics	11,199	10,632	567	5.3
	77,970	83,526	(5,556)	(6.7)

For the financial year ended 31 December 2015, our ornamental fish and accessories activities continued to be our core business segments, which together accounted for 85.6% of the total revenue. Our revenue decreased by approximately $5.5 million or 6.7% from $83.5 million registered in FY 2014 to $78.0 million in FY 2015.

On a geographical basis, revenue from Singapore and overseas dipped by approximately 0.6% and 8.9% respectively in FY 2015 as compared to FY 2014.

4Q 2015 vs 4Q 2014

	Group			
	4Q 2015	**4Q 2014**	**Increase (Decrease)**	
	$'000	$'000	$'000	%
Fish	7,695	8,710	(1,015)	(11.7)
Accessories	8,831	9,817	(986)	(10.0)
Plastics	2,809	2,771	38	1.4
	19,335	21,298	(1,963)	(9.2)

Despite the marginally higher revenue contribution from our plastics business, our overall revenue decreased significantly by approximately $2.0 million or 9.2% in the 4th quarter of 2015 as compared to its corresponding period in 2014 mainly due to the reduction in ornamental fish and accessories revenue registered during the current quarter.

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

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

4Q 2015 vs 4Q 2014 (cont'd)

Fish

The reduction in our ornamental fish revenue by approximately $1.0 million or 11.7% in the 4th quarter of 2015, as compared to its corresponding period in 2014, was mainly due to the persistent sluggish global economy as mentioned previously. As the Eurozone continues to struggle to resolve its long unsettled crisis, such as the financial glitches surrounding Greece, it has affected the purchasing sentiments of our European customers. In addition, our ornamental fish export to Russia has steadily decreased as sanctions and falling oil prices take a toll on the Russian economy. The existing prolonged recession in Europe, which is unprecedented, has a negative impact on our ornamental fish revenue as more than 20% of the Group's ornamental fish business is derived from European countries.

Concurrently, we saw the slowing down in the demand of Dragon Fish from the China domestic market as its economy has been hit by extreme stock market volatility and weak economic data since the 2nd half of 2015, which has deterred the revenue contribution to the ornamental fish business segment.

In order to mitigate these setbacks, moving forward, we will strive 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, while awaiting market conditions to improve in order to seize the opportunities when relevant.

Accessories

Revenue from our accessories business slumped in the current quarter as compared to its corresponding period in 2014. The reduction was mainly due to lower revenue contribution from our Malaysia subsidiaries as retailers were not keen to stock-up, citing lower consumer traffic across all states in Malaysia. The customers are more careful in making spending decisions seeing the vulnerability of the Malaysian ringgit and sentiments were further compounded by rising domestic political concerns and economic predicament during the current quarter. In addition, the depreciation of Malaysian ringgit against Singapore dollar since the beginning of the financial year has resulted in a lower revenue contribution registered by our Malaysia entities when translated into Singapore dollar (reporting currency).

The delicate China economy has also somewhat affected our sales of aquarium accessories in its domestic market. We are reviving the sales by introducing more proprietary brand of innovative products which should derive better margins.

Plastics

Since the beginning of the previous financial year, the revenue contribution from our plastics business was affected by a temporary reduction in market demand as a result of the upward revision in selling prices of our plastic products in view of the increase in raw material prices then. With the stabilisation of market selling prices, we saw gradual resumption in demand of our plastic products since the 2nd half of 2014.

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

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

4Q 2015 vs 3Q 2015

	Group		Increase	
	4Q 2015	3Q 2015		
	$'000	$'000	$'000	%
Fish	7,695	6,879	816	11.9
Accessories	8,831	8,163	668	8.2
Plastics	2,809	2,798	11	0.4
	19,335	17,840	1,495	8.4

Our revenue increased by approximately $1.5 million or 8.4% from approximately $17.8 million in the 3rd quarter of 2015 to $19.3 million in the 4th quarter of 2015. All business segments registered growth in revenue during 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 which was affected by the summer holidays in Europe whereby our European customers would mostly take off for their own vacation. As the demand from these revenue sources has picked up in the current quarter, it has resulted in higher ornamental fish contribution in the current quarter as compared to its previous quarter.

Accessories
Revenue from our accessories activities resumed its growth momentum in the 4th quarter of 2015. The increase in revenue from our accessories business on a quarter-on-quarter basis was mainly a result of better revenue contribution from our export sales, as well as our conscientious efforts made to focus on selling more of our proprietary brand of innovative products.

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

(b) **Profitability**

Financial year 2015 vs financial year 2014

	Group Financial year ended 31 Dec		Increase (Decrease)	
	2015	2014		
	$'000	$'000	$'000	%
Fish	790	1,105	(315)	(28.5)
Accessories	1,146	1,862	(716)	(38.5)
Plastics	723	423	300	70.9
Unallocated corporate expenses	(2,110)	(2,158)	48	2.2
	549	1,232	(683)	(55.4)
Loss on disposal of an associate	-	(134)	134	
	549	1,098	(549)	(50.0)

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

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

Financial year 2015 vs financial year 2014 (cont'd)

In line with the lower revenue contribution, our operating profit decreased by approximately $0.7 million or 55.4% from $1.2 million in FY 2014 to $0.5 million in FY 2015, mainly due to the significant reduction in profit generated from our core business segments. Our accessories business is the main profit contributor in the current financial year.

4Q 2015 vs 4Q 2014

	Group		Increase (Decrease)	
	4Q 2015	**4Q 2014**		
	$'000	$'000	$'000	%
Fish	76	301	(225)	(74.8)
Accessories	143	618	(475)	(76.9)
Plastics	183	112	71	63.4
Unallocated corporate expenses	(394)	(539)	145	26.9
	8	492	(484)	(98.4)
Loss on disposal of an associate	-	(134)	134	
	8	358	(350)	(97.8)

The reduction in operating profit contribution from our core business segments has slashed the profitability registered in the 4th quarter of 2015 by approximately $0.5 million or 98.4% as compared to its corresponding period in 2014.

Fish
Although our ornamental fish export business continued to generate respectable profit margins, the plunge in revenue contribution as a result of the economic predicament and the political turmoil in Europe, coupled with a gradually sluggish China domestic market, as mentioned above, has resulted in a dive in our profitability by approximately $0.2 million or 74.8% in the 4th quarter of 2015 as compared to its corresponding period in 2014.

Accessories
The decline in profitability from our accessories business in the 4th quarter of 2015 as compared to the corresponding period in 2014 was in line with the significant reduction in revenue contribution due to reasons as mentioned above. The profitability of our Malaysia subsidiaries was also trimmed down by the adverse impact on the depreciation of its local currency during the current quarter.

Plastics
The stable revenue registered by the plastic business, coupled with the improved profit margins following the stabilisation of both the raw material prices as well as the selling prices of our plastic products had given rise to the improvement in profit contribution in the 4th quarter of 2015, as compared to the corresponding period in 2014.

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

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

4Q 2015 vs 4Q 2014 (cont'd)

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. The lower corporate expenses reported in the current quarter as compared to the corresponding period in 2014 were mainly due to conscientious efforts made to contain operating costs, which is in accordance with the Group's objective to be more productive and efficient in the long run.

4Q 2015 vs 3Q 2015

	Group		Increase (Decrease)	
	4Q 2015	3Q 2015		
	$'000	$'000	$'000	%
Fish	76	318	(242)	(76.1)
Accessories	143	311	(168)	(54.0)
Plastics	183	155	28	18.1
Unallocated corporate expenses	(394)	(575)	181	31.5
	8	209	(201)	(96.2)

Fish
Despite the increase in revenue registered by the ornamental fish business in the 4th quarter of 2015 as compared to the previous quarter, the profitability of our ornamental fish business was sliced off as a result of the difference in sales mix registered in both quarters.

Accessories
Notwithstanding the higher revenue contribution from our accessories export business registered in the 4th quarter of 2015, the operating profit of $0.1 million was lower than that of the previous quarter. This is mainly due to the difference in sales mix, as well as our on-going efforts to capture more sales, which has affected the profit margin of our accessories business in the current quarter.

Plastics
The consistent revenue registered by the plastic business in the current quarter had given rise to the steady profit contribution from the 3rd quarter of 2015 to the 4th quarter of 2015.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

To be the world's Number 1 ornamental fish exporter

Ornamental fish will continue to be an important core business activity of our Group. Currently, we export ornamental fish to more than 80 countries around the world from our export hubs in Singapore, Malaysia, Thailand, Indonesia and China. As Singapore, Malaysia, Thailand and Indonesia supply in total close to 60% to 70% of the world's ornamental fish, we believe that Qian Hu is the region's biggest exporter of ornamental fish, capturing more than 5% of the global market share in terms of ornamental fish export.

Our long-term goal is to gradually increase our global market share to 10% and that we are able to export ornamental fish to more than 100 countries – this will make us the top ornamental fish exporter in the world. While we increase our efforts on expanding our export distribution network to more countries around the world, we will focus on high-growth regions such as the Middle East, Eastern Europe, China and India.

To improve productivity using technology and automation

While putting in efforts in exploring more overseas markets, we will also leverage on our research & development capability to improve our ornamental fish packaging technology and quarantine skills to further differentiate ourselves from the other industry players.

Our concept of a next-generation high-technology fish farm is to keep fish using our HYDROPURE technology (see below) to automate the process with less reliant on manual manpower to monitor the system, which should increase the effectiveness, efficiency and productivity of our work force. With the completion of the automation of our fish operations in Singapore in Year 2015, our fish farm in Singapore has transformed into a truly high-technology and cost effective fish farm. We will then replicate the automated system to our regional fish hubs in Thailand, China, Malaysia, and Indonesia.

To widen our distribution network and strengthen our market capability

We intend to continue to strengthen our market capability, which is one of Qian Hu's differentiating factors. While we endeavor to export ornamental fish to more than 100 countries around the world, on our accessories front, our goal is to export to more than 60 countries, and to spur global demand for our proprietary innovative products. Qian Hu also strives to be one of the top three accessories distributors in China, Malaysia, and Thailand. Currently, Qian Hu is the biggest aquarium accessories distributor in Singapore.

To reinforce our commitment in research & development ("R&D") and enhance growth by means of innovation

In moving to our next level of growth, innovation has become a vital strategic thrust for Qian Hu, a key to our industry's long term sustainability.

Our R&D team in Singapore, which was formed in Year 2009, has engaged in the following major research directions in recent years:-

(i) *New filtration technology and tank system using HYDROPURE technology:*
This is our patented aquatic water purification technology that we have developed for the past five years and is now bearing fruits. In essence, HYDROPURE technology removes all the undesired toxic compounds in the water and retains all desired compounds that are needed by the aquatic organism in the aquatic environment. Using this novel technology, we target to lessen the hassle of fish keeping to a bare minimum. We have and will continue to develop a range of new generation aquarium accessories, ranging from filtration systems to sterilisation unit for aquariums which we anticipate to revolutionalise the ornamental fish industry.

10 **PROSPECTS (cont'd)**

(ii) *Fish Nutritional technology:*
As 50% of the fish hobbyist feeds live feed to their fish, it is one of the biggest deterring factors for many hobbyists when they are considering taking up the hobby of fish keeping. Our aim is to replace all the live feeds, shall it be tubifex worms or bloodworms, from crickets to feeder fish, with our new bacteria-free proprietary fish food that do not require refrigeration. Our effort in fish nutrition R&D has led us to a new level of competency and edge over our competitors.

To build a company that last through generations

We have always set out to build a company that last through generations, not only in sustaining profitability, but placing a high priority on the various expectations of stakeholders as well. We have put in place our succession plan since Year 2005. This forward thinking mentality entails us to stay focused in whatever we do, to change in accordance with the changing environment and to continue to differentiate ourselves.

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.

Moving into Year 2016, 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 **RISK FACTORS AND RISK MANAGEMENT**

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

The following set out an overview of the key risks faced by Qian Hu, the nature and the extent of our exposure to these risks, and the mitigating actions in place in managing these risks.

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

BUSINESS AND STRATRGY RISKS

Strategy and investment risk

Our Group grows businesses through organic growth of our existing activities, development of new capabilities (e.g. product innovation) and through new ventures with business partners. Business proposals and investment activities are evaluated through performance of due diligence exercise and where necessary, supported by external professional advice, to ensure that they are in line with the Group's strategic focus and that they meet the relevant rate of financial returns, taking into consideration other risk factors. All business proposals are reviewed by the senior management before obtaining final Board approval.

Market and political risk

Our Group currently operates in six countries with assets and activities spreading mainly across the Asia Pacific. Our subsidiaries and associate in these countries are exposed to changes in government regulations and unfavourable political developments, which may limit the realisation of business opportunities and investments in those countries. In addition, our business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets. Although these circumstances may be beyond our control, the Board and the management consistently keep themselves up-to-date on the changes in political, economic and industrial developments so as to be able to anticipate and/or respond to any adverse changes in market conditions in a timely manner.

As at 31 December 2015, approximately 26% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 71% of the total revenue in FY 2015. As we currently export to more than 80 countries and to more countries moving forward, the effect of greater geographical diversification reduces the risk of concentration in a single market.

Regulatory risk

Our Group's operations are subject to changes in prevailing laws and regulations in their respective jurisdictions, particularly in areas of corporate law, and possible local government interventions impacting the industry. To mitigate this risk, we maintain close working relationships with respective local authorities and business partners so as to keep abreast with any changes and/or material regulatory development. All necessary certificates and licences are obtained and renewed on a timely basis in accordance with applicable rules and regulations.

Competition risk

With increasing competition, every company is faced with some level of competitive risk. Our Group may possibly lose its competitive edge due to new market entrants or with the growth of existing competitors as well as the emerging of new and better receptive products.

Our Group strives to maintain its competitiveness through differentiation of its products and leveraging on its brand name while consistently monitoring and responding to market dynamics. Conscientious efforts are made in attaining high quality products and services while sustaining a low cost operations so as to improve its competitiveness, productivity and profitability.

In addition, Qian Hu has since invested perpetually in research and development activities in order to develop more innovative accessories products with its in-house proprietary technology to enhance its market competitiveness.

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

Reputation risk

Our Group may face negative publicity or diminution in public confidence if there are mishandling of transactions or events.

Qian Hu values its reputation and has instilled an open communication programme to ensure timely and effective communication of key information with its stakeholders (such as customers, public media, regulators, investor community, etc). It has a proven track record and reputation associated with its investor/public relations efforts which has won itself many awards in various aspects.

Clear corporate mission statements and guiding principles are also in place and communicated to all employees within the Group so as to uphold the reputation of the Group.

Fraud and corruption risk

Our Group places considerable importance on maintaining a strong control environment to ensure that risks are managed and business strategies are executed. Policies and procedures, delegation of authority, minimum internal controls and Code of Ethics have been defined and put into practice by all business entities. Together with compliance with laws and regulations, these established procedures and internal guidelines form the control environment for which all employees are accountable for compliance.

In addition, our Group has since in Year 2006 established a whistle-blowing policy under which employees and outsiders could, through well-defined and accessible channels, raise concerns in confidence about possible improprieties in matters of business activities, financial reporting or other matters to the Whistle-blowing Committee. The Committee is bound to report, within certain established timeline, the results of its investigation to the Audit Committee and to the Board.

Business continuity risk

An organisation may encounter unforeseen circumstances to prevent the continuation of its business operations such as during crisis or disasters.

Qian Hu recognises its exposure to internal and external threats and seeks to increase the resilience of the Group to potential business interruptions so as to minimise any disruptions to its critical business activities, people and assets. Over the years, we have focused on refining our business continuity management, including the setting up of an operational prevention and recovery framework, to ensure that it can continue to maintain our competitive advantage and to maximise value for our stakeholders.

OPERATIONAL RISKS

Operational risk

Operational risk is the potential loss caused by a breakdown in internal process, deficiencies in people and management, or operational failure arising from external events. Our Group strives to minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as business continuity planning. In addition, we have been awarded ISO 9001:2008 certification for our local businesses as well as our overseas subsidiaries. We have also achieved ISO 14001:2004 certification for our environmental management system to preserve natural resources and minimise wastage.

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

Operational risk (cont'd)

Although Qian Hu has always been viewed as a family business largely run and controlled by the Yap family, it is in fact run by a team of dedicated Qian Hu family members and professional managers, not solely by the Yap family members. Although no individual is indispensible, the loss of specialised skills and the leadership of our Executive Chairman & Managing Director, Mr Kenny Yap, and the other founding members, including our key management, could result in business interruptions and a loss in shareholders' confidence. To dispel the worries, we have since put in place a structured succession planning program to identify and develop a team of talented employees based on their merit, who can take Qian Hu to the next lap of growth. We believe that training a team of next-generation leaders is critical to the continuity of the business which should last beyond our generation.

Product risk

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds at any one point in time is uncommon. We have institutionalised a comprehensive health management and quarantine system for all our domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for our fishes. Currently, all our domestic and overseas fish operations have attained ISO 9001:2008 certification, including the breeding of Dragon Fish. There is no known disease that is fatal to the Dragon Fish because of its primitive and prehistoric origin.

Although our Dragon Fish sales contributed approximately 10% of our Group total revenue for the year ended 31 December 2015, we sell over 1,000 species and varieties of ornamental fish and more than 3,000 kinds of accessories products to more than 80 countries and are not solely reliant on the sale of any particular type or species of fish or accessories products. We are diversified in both our products and markets.

Additionally, we have formed a R&D team in Year 2009, focusing on the research of Dragon Fish breeding behaviour, product innovation technology for aquarium accessories, and new form of ornamental fish farming technology.

Climate change and environmental risk

Climate change and environmental risk is a growing concern especially in the last few years. The recent spate of natural disasters and continuing threat of future occurrences have prompted companies, Qian Hu alike, to embark on strategic reviews on key areas such as infrastructure and logistics, to minimise the business impact of untoward events. Our Group will also explore the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species, to mitigate and manage risks related to adverse weather conditions, and to ensure consistent supply of these fish species.

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

FINANCIAL RISKS

Foreign exchange risk

The foreign exchange risk of our Group arises from sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. Natural hedging is used extensively including matching sales and purchases of the same currency and amount where applicable. Our Group continuously monitors the exchange rates of major currencies and may enter into hedging contracts with banks from time to time whenever the management detects any movements in the respective exchange rates which may impact the Group's profitability.

Foreign currencies received are kept in foreign currencies accounts and are converted to the respective measurement currencies of the Group's companies on a need-to basis so as to minimise foreign exchange exposure.

Exchange gain or loss which may also arise when the assets and liabilities in foreign currencies are translated into Singapore dollars for financial reporting purposes. Such currency translation risk, which is inherent for operations outside Singapore, is non-cash in nature and therefore not hedged.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to our Group as and when they fall due. Credit risk is managed through the application of credit approvals, performing credit evaluations, setting credit limits and monitoring procedures.

None of our customer or supplier contributes more than 5% of our Group's revenue and purchases. It is our Group's policy to sell to a diverse group of creditworthy customers so as to reduce concentration of credit risk. Cash terms or advance payments are required for customers with lower credit standing.

While our Group faces the normal business risks associated with ageing collections, we have adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Accordingly, our Group does not expect to incur material credit losses.

Interest rate risk

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

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

We are working on improving our debt position and our aim to move towards becoming a debt-free company will also mitigate this risk.

11 RISK FACTORS AND RISK MANAGEMENT (cont'd)

Liquidity risk

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

Financial management risk

Our Group has formalised operating manuals and standard operating procedures to ensure that transactions are carried out in conformity with accounting standards and the Group's accounting policies and that the internal controls over financial reporting are adequate so as to minimise such risk. Nonetheless, the system may not prevent or detect all frauds or misstatements in a timely manner, especially with changes in conditions and operations which may cause the system effectiveness to vary from time to time.

We have relied on self-assessment, regular review and the reporting process to ensure proper financial discipline and compliance with established Group's policies and guidelines. External and internal audit reviews carried out annually on the controls and procedures in place also serves as a platform to highlight any irregularities.

Capital structure risk

In managing capital, our Group's objectives are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to provide appropriate returns to shareholders and benefits for other stakeholders through pricing its products and services at levels commensurate with the level of risks it is exposed to.

The capital structure of the Group consists of loans and borrowings, issued share capital and retained earnings. Regular review are performed to ensure optimal capital structure taking into consideration future capital requirements and capital efficiency, prevailing operating cash flow and profitability as well as projected capital expenditure. In order to maintain or achieve an optimal capital structure, we may issue new shares, obtain new bank borrowings, sell assets to reduce external borrowings, pay or adjust the amount of dividend payment or return capital to shareholders.

The Group also monitors its gross gearing and net gearing and their trends.

Derivative financial instrument risk

Our Group does not hold or issue derivative financial instruments for trading purposes.

12 **DIVIDEND**

(a) **Present period**

Name of dividend	First & final
Dividend type	Cash
Dividend rate	0.2 cents per ordinary share (post share consolidation)
Tax rate	One-tier tax exempt

(b) **Previous corresponding period**

Name of dividend	First & final
Dividend type	Cash
Dividend rate	0.1 cents per ordinary share (before share consolidation)
Tax rate	One-tier tax exempt

(c) **Total annual dividend**

	Latest year ($'000)	Previous year ($'000)
Ordinary	227	454
Preference	-	-
Total:	227	454

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 23 March 2016, the dividend will be paid on 21 April 2016.

(e) **Books closure date**

Registrable Transfers received by the Company's Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5:00 pm on 11 April 2016 will be registered before entitlements to the proposed dividend are determined. The Register of Transfer and the Register of Members of the Company will be closed on 12 April 2016 for the preparation of dividend warrants.

13 **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").

13 **INTERESTED PERSON TRANSACTIONS (cont'd)**

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

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	$	$	$	$
Fees paid to a company in which a director has an interest	8,600	14,500	8,600	14,500
Guarantee fee paid to a major shareholder of the Company *	37,000	40,000	37,000	40,000
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 financial year ended 31 December 2015.

14 **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.

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

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

	Financial year ended 31 Dec 2015				
	Fish	**Accessories**	**Plastics**	**Others**	**Total**
Group	$'000	$'000	$'000	$'000	$'000
Revenue					
External revenue	31,372	35,399	11,199	-	77,970
Inter-segment revenue	2,025	6,023	227	(8,275)	-
Total Revenue	33,397	41,422	11,426	(8,275)	77,970
Results					
EBITDA *	1,820	1,705	849	(1,866)	2,508
Depreciation and amortisation	(1,006)	(486)	(125)	-	(1,617)
Interest expense	(28)	(29)	(1)	(244)	(302)
Interest income	4	2	-	-	6
	790	1,192	723	(2,110)	595
Share of losses of associate	-	(46)	-	-	(46)
Profit before tax	790	1,146	723	(2,110)	549
Tax expense	(182)	(60)	(35)	-	(277)
Profit for the year	608	1,086	688	(2,110)	272
Net profit margin	**1.9%**	**3.1%**	**6.1%**		**0.3%**
Assets and Liabilities					
Segment assets	31,179	37,014	3,847	3,777	75,817
Investment in associate	-	307	-	-	307
Segment liabilities	4,943	4,975	1,757	13,834	25,509
Other Segment Information					
Expenditures for non-current assets **	1,254	445	168	-	1,867
Other non-cash items:					
Bad trade receivables written off	40	3	-	-	43
Gain on disposal of property, plant and equipment	-	(44)	(3)	-	(47)
Allowance for (Write back of allowance for)					
- doubtful trade receivables	160	22	-	-	182
- inventory obsolescence	-	(50)	-	-	(50)
Change in fair value less estimated point-of-sale costs of breeder stocks	17	-	-	-	17

* *EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation.*
** *This includes capital expenditure and additions to other non-current assets.*

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

(a) Business segments (cont'd)

	Financial year ended 31 Dec 2014				
	Fish	**Accessories**	**Plastics**	**Others**	**Total**
Group	$'000	$'000	$'000	$'000	$'000
Revenue					
External revenue	35,371	37,523	10,632	-	83,526
Inter-segment revenue	1,758	6,917	158	(8,833)	-
Total Revenue	37,129	44,440	10,790	(8,833)	83,526
Results					
EBITDA *	2,059	2,456	513	(1,972)	3,056
Depreciation and amortisation	(934)	(571)	(90)	-	(1,595)
Interest expense	(27)	(42)	-	(186)	(255)
Interest income	7	3	-	-	10
	1,105	1,846	423	(2,158)	1,216
Loss on disposal of an associate	-	(134)	-	-	(134)
Share of profits of associates	-	16	-	-	16
Profit before tax	1,105	1,728	423	(2,158)	1,098
Tax expense	(223)	(165)	(17)	-	(405)
Profit for the year	882	1,563	406	(2,158)	693
Net profit margin	**2.5%**	**4.2%**	**3.8%**		**0.8%**
Assets and Liabilities					
Segment assets	31,386	37,917	3,431	3,954	76,688
Investment in associate	-	353	-	-	353
Segment liabilities	5,170	5,236	1,742	13,487	25,635
Other Segment Information					
Expenditures for non-current assets **	1,588	303	170	-	2,061
Other non-cash items:					
Bad trade receivables written off	54	3	-	-	57
Gain on disposal of property, plant and equipment	(7)	(16)	(1)	-	(24)
Property, plant and equipment written off	-	5	-	-	5
Allowance for (Write back of allowance for)					
- doubtful trade receviables	387	85	4	-	476
- inventory obsolescence	-	(15)	-	-	(15)
Change in fair value less estimated point-of-sale costs of breeder stocks	20	-	-	-	20

(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 segment assets are based on the geographical location of the assets.

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

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

	Revenue		Segment non-current assets		Segment assets	
	Financial year ended 31 Dec		Financial year ended 31 Dec		Financial year ended 31 Dec	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Group	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	22,784	22,932	14,407	15,406	55,992	56,660
Other Asian countries	38,059	44,694	2,378	2,470	19,518	19,675
Europe	9,368	9,603	307	353	307	353
Others	7,759	6,297	-	-	-	-
Total	77,970	83,526	17,092	18,229	75,817	76,688

(c) **Major customers**

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

15 **BREAKDOWN OF REVENUE**

Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Total** $'000
4Q 2015				
Singapore (including domestic sales & sales to Singapore)	971	2,062	2,766	5,799
Overseas (including export to & sales in overseas)	6,724	6,769	43	13,536
Total revenue	7,695	8,831	2,809	19,335
4Q 2014				
Singapore	940	2,015	2,732	5,687
Overseas	7,770	7,802	39	15,611
Total revenue	8,710	9,817	2,771	21,298
Financial year ended 31 Dec 2015				
Singapore (including domestic sales & sales to Singapore)	3,898	7,891	10,995	22,784
Overseas (including export to & sales in overseas)	27,474	27,508	204	55,186
Total revenue	31,372	35,399	11,199	77,970
Financial year ended 31 Dec 2014				
Singapore	4,354	8,084	10,494	22,932
Overseas	31,017	29,439	138	60,594
Total revenue	35,371	37,523	10,632	83,526

16 **REVENUE AND PROFIT CONTRIBUTION BY QUARTER**

	Group		
	Financial year ended 31 Dec		**Increase**
	2015	**2014**	**(Decrease)**
	$'000	$'000	%
Revenue			
1st Quarter	20,769	20,698	0.3
2nd Quarter	20,026	21,069	(5.0)
3rd Quarter	17,840	20,461	(12.8)
4th Quarter	19,335	21,298	(9.2)
	77,970	83,526	(6.7)
Profit before tax			
1st Quarter	253	332	(23.8)
2nd Quarter	79	165	(52.1)
3rd Quarter	209	243	(14.0)
4th Quarter	8	358	(97.8)
	549	1,098	(50.0)
Profit (Loss) attributable to owners of the Company			
1st Quarter	112	115	(2.6)
2nd Quarter	12	22	(45.5)
3rd Quarter	93	79	17.7
4th Quarter	(198)	176	(212.5)
	19	392	(95.2)

17 **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.

18 **PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO THE DIRECTORS, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDERS**

Pursuant to Rule 704(13) of the Listing Manual of SGX-ST, we set out below the persons holding managerial positions in the Group who are related to the Directors, Chief Executive Officer or substantial shareholders of the Company or of any of its principal subsidiaries:

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Tan Boon Kim	50	Brother-in-law of Alvin Yap Ah Seng and Andy Yap Ah Siong	Managing Director of - Thai Qian Hu Company Limited (since 2002) - P.T. Qian Hu Joe Aquatic Indonesia (since 2012) **Duties :** Oversees the business operations and business development of Thai Qian Hu Company Limited & P.T. Qian Hu Joe Aquatic Indonesia	Relinquished his position as Managing Director of Qian Hu Marketing Co Ltd in March 2015
Yap Kim Choon	55	Substantial shareholder and brother of Kenny Yap Kim Lee	Division head of Wan Hu division (since 1988) **Duties :** Oversees the daily business operations of Wan Hu division	No change

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

18 **PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO THE DIRECTORS, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDERS (cont'd)**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lee Kim Hwat	61	Brother-in-law of Kenny Yap Kim Lee	Managing Director of Qian Hu Tat Leng Plastic Pte Ltd (since 1996) **Duties :** Oversees and manages the daily operations and business development of Qian Hu Tat Leng Plastic Pte Ltd	No change

Kenny Yap Kim Lee, Alvin Yap Ah Seng, Andy Yap Ah Siong, Yap Ping Heng, Yap Hock Huat, Yap Kim Choon and Yap Kim Chuan are the substantial shareholders of the Company.

Yap Ping Heng, Yap Hock Huat, Yap Kim Choon, Yap Kim Chuan and Kenny Yap Kim Lee (Executive Chairman and Managing Director) are brothers. They are cousins to Alvin Yap Ah Seng and Andy Yap Ah Siong, our Executive Directors. Alvin Yap Ah Seng and Andy Yap Ah Siong are brothers.

BY ORDER OF THE BOARD
Kenny Yap Kim Lee
Executive Chairman and Managing Director
12 January 2016

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Independent auditors' report

Members of the Company
Qian Hu Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the statements of profit or loss, statements of comprehensive income and statements of changes in equity of the Group and the Company, and the statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS61.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance and changes in equity of the Group and of the Company, and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
12 January 2016