



**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 2019**

	Group			Group		
	3 months ended 30 Jun		Change %	6 months ended 30 Jun		Change %
	2019 \$'000	2018 \$'000		2019 \$'000	2018 \$'000	
Revenue	19,215	21,949	(12.5)	38,067	43,559	(12.6)
Cost of sales	(13,336)	(15,341)	(13.1)	(26,460)	(30,423)	(13.0)
<b>Gross profit</b>	<b>5,879</b>	<b>6,608</b>	<b>(11.0)</b>	<b>11,607</b>	<b>13,136</b>	<b>(11.6)</b>
Other income	i 1,461	630	131.9	2,010	778	158.4
	<b>7,340</b>	<b>7,238</b>	<b>1.4</b>	<b>13,617</b>	<b>13,914</b>	<b>(2.1)</b>
Selling & distribution expenses	ii (653)	(647)	0.9	(1,171)	(1,114)	5.1
General & administrative expenses	ii (6,227)	(6,229)	(0.0)	(11,773)	(12,165)	(3.2)
<b>Results from operating activities</b>	iii 460	362	27.1	673	635	6.0
Finance income	iv 15	2	650.0	21	3	600.0
Finance costs	iv (154)	(131)	17.6	(305)	(241)	26.6
<b>Profit before tax</b>	<b>321</b>	<b>233</b>	<b>37.8</b>	<b>389</b>	<b>397</b>	<b>(2.0)</b>
Tax expense	v (78)	(59)	32.2	(88)	(148)	(40.5)
<b>Profit for the period</b>	<b>243</b>	<b>174</b>	<b>39.7</b>	<b>301</b>	<b>249</b>	<b>20.9</b>
Profit attributable to:						
<b>Owners of the Company</b>	<b>236</b>	<b>146</b>	<b>61.6</b>	<b>273</b>	<b>181</b>	<b>50.8</b>
Non-controlling interests	7	28	(75.0)	28	68	(58.8)
<b>Profit for the period</b>	<b>243</b>	<b>174</b>	<b>39.7</b>	<b>301</b>	<b>249</b>	<b>20.9</b>
Gross profit margin	30.6%	30.1%		30.5%	30.2%	
Net profit margin	1.3%	0.8%		0.8%	0.6%	
Effective tax rate	24.3%	25.3%		24.2%	37.3%	



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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

	<b>Group</b>			<b>Group</b>		
	<b>3 months ended 30 Jun</b>		<b>Change</b>	<b>6 months ended 30 Jun</b>		<b>Change</b>
	<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>Profit for the period</b>	243	174	39.7	301	249	20.9
<b>Other comprehensive income</b>						
<b>Items that are or may be reclassified subsequently to profit or loss:</b>						
Foreign currency translation differences - foreign operations, net of tax	138	93	48.4	237	232	2.2
<b>Other comprehensive income for the period, net of tax</b>	138	93	48.4	237	232	2.2
<b>Total comprehensive income for the period</b>	381	267	42.7	538	481	11.9
Total comprehensive income attributable to:						
<b>Owners of the Company</b>	<b>304</b>	<b>24</b>	<b>NM</b>	<b>417</b>	<b>219</b>	<b>90.4</b>
Non-controlling interests	77	243	68.3	121	262	(53.8)
<b>Total comprehensive income for the period</b>	381	267	42.7	538	481	11.9

NM: Not Meaningful

**Notes to Statement of Profit or Loss**

(i) **Other income**

Other income comprises:

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun</b>		<b>6 months ended 30 Jun</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gain on disposal of property, plant and equipment	2	8	-	20
Handling income (net)	1,441	590	1,970	677
Sundry income	18	32	40	81
	1,461	630	2,010	778

Handling income was derived from the handling of transhipments in relation to our aquaculture business. The increase is in line with the increase in aquaculture business activities during the current reporting periods.



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

- (ii) **Selling & distribution expenses** – increased by \$57K or 5.1% (YTD)  
**General & administrative expenses** – decreased by \$392K or 3.2% (YTD)

With the disposal of the Group's entire equity interest in Shanghai Qian Hu Aquarium and Pets Co., Ltd ("SHQH") in the 4<sup>th</sup> quarter of 2018, its operating expenses decreased accordingly for the half year ended 30 June 2019 as compared to the corresponding period in 2018. The reduction was partially offset by higher personnel expenses as a result of the increase in headcount and annual salary revision. In addition, there were more expenses incurred to enhance our marketing efforts, including the participation in trade shows to promote and showcase our products.

(iii) **Profit from operations**

This is determined after charging the following:

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun</b>		<b>6 months ended 30 Jun</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	29	33	58	62
- other auditors	6	3	13	8
Non-audit fees				
- other auditors	-	-	5	7
Directors' fees				
- directors of the Company	25	30	55	52
Directors' remuneration				
- directors of the Company	283	283	567	567
- directors of subsidiaries	94	93	188	186
Amortisation of intangible assets	37	37	74	68
Bad trade receivables written off	16	22	194	61
Depreciation of				
- property, plant and equipment	674	446	1,387	886
- brooder stocks	60	56	120	110
Property, plant and equipment written off	-	6	-	7
(Write back of) Impairment loss on				
trade receivables	(7)	1	(2)	2
Allowance for inventory obsolescence	31	44	31	44
Operating lease expenses	87	308	129	620
Personnel expenses *	4,096	4,106	7,727	7,884
Exchange gain, net	(12)	(80)	(145)	(73)
Change in fair value less estimated				
point-of-sale costs of breeder stocks	-	10	-	10

\* Include directors' remuneration.



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

The increase in depreciation of property, plant and equipment during the current quarter and for the half year ended 30 June 2019 as compared to its corresponding periods in 2018 was mainly due to additional depreciation charge incurred upon the recognition of the right-of-use assets as a result of the adoption of the new Singapore Financial Reporting Standards (International) – SFRS(I) 16 *Leases*. Correspondingly, there was a decrease in operating lease expenses during the current reporting periods.

(Please refer to page 6 for more details)

The increase in bad trade receivables written off recognised in the 1<sup>st</sup> half of 2019 as compared to its corresponding period in 2018 was a result of certain trade receivables which were no longer collectible during the six months ended 30 June 2019.

(iv) **Finance income**

**Finance costs**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun</b>	<b>3 months ended 30 Jun</b>	<b>6 months ended 30 Jun</b>	<b>6 months ended 30 Jun</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest expense				
- bank loans and overdrafts	135	115	264	210
- bills payable to banks	2	8	8	15
- finance lease liabilities	17	8	33	16
	<b>154</b>	<b>131</b>	<b>305</b>	<b>241</b>
Interest income				
- bank deposits	(15)	(2)	(21)	(3)
Net finance costs	<b>139</b>	<b>129</b>	<b>284</b>	<b>238</b>

The increase in net finance costs by approximately 7.8% and 19.3% in the current quarter and for the half year ended 30 June 2019 respectively as compared to the corresponding periods in 2018 was mainly due to higher interest rates charged by financial institutions during the current reporting periods.

The increase in interest expenses on finance lease liabilities was in relation to lease liabilities taken up upon the recognition of the right-of-use assets as mentioned earlier.

(v) **Tax expense**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Jun</b>	<b>3 months ended 30 Jun</b>	<b>6 months ended 30 Jun</b>	<b>6 months ended 30 Jun</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current tax expense				
- current year	78	59	94	148
- over provision in respect of prior year	-	-	(6)	-
	<b>78</b>	<b>59</b>	<b>88</b>	<b>148</b>

The effective tax rate registered for the current quarter and for the half year ended 30 June 2019 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.



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

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	\$	\$	\$	\$
<b>Assets</b>				
Property, plant and equipment	9,330,661	9,535,743	4,357,322	4,488,095
Right-of-use assets	997,220	-	219,113	-
Intangible assets	3,214,380	3,288,713	3,167,713	3,228,713
Brooder stocks	10,400,527	10,520,663	10,400,527	10,520,663
Investments in subsidiaries	-	-	3,888,402	3,888,402
Trade and other receivables	8,998,265	8,998,265	8,998,265	8,998,265
<b>Non-current assets</b>	<b>32,941,053</b>	<b>32,343,384</b>	<b>31,031,342</b>	<b>31,124,138</b>
Breeder stocks	120,300	121,260	120,300	121,260
Inventories	14,779,396	15,863,663	5,589,736	6,646,226
Trade receivables	16,226,478	16,543,561	9,708,382	10,321,681
Other receivables, deposits and prepayments	2,961,550	3,444,150	1,565,695	1,866,870
Due from				
- subsidiaries (trade)	-	-	6,530,620	6,825,763
- subsidiaries (non-trade)	-	-	1,831,082	1,857,548
Fixed deposits	2,060,629	683,275	676,225	683,275
Cash and bank balances	11,665,056	10,808,138	7,306,796	4,990,209
<b>Current assets</b>	<b>47,813,409</b>	<b>47,464,047</b>	<b>33,328,836</b>	<b>33,312,832</b>
<b>Total assets</b>	<b>80,754,462</b>	<b>79,807,431</b>	<b>64,360,178</b>	<b>64,436,970</b>
<b>Equity</b>				
Share capital	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	17,878,899	17,688,335	9,230,425	9,268,764
<b>Equity attributable to owners of the Company</b>	<b>48,651,687</b>	<b>48,461,123</b>	<b>40,003,213</b>	<b>40,041,552</b>
<b>Non-controlling interests</b>	<b>2,467,205</b>	<b>2,346,476</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>51,118,892</b>	<b>50,807,599</b>	<b>40,003,213</b>	<b>40,041,552</b>
<b>Liabilities</b>				
Loans and borrowings	743,578	215,515	264,797	148,246
Deferred tax liabilities	45,500	45,595	-	-
<b>Non-current liabilities</b>	<b>789,078</b>	<b>261,110</b>	<b>264,797</b>	<b>148,246</b>
Trade payables	6,385,746	7,177,536	1,986,647	3,029,951
Other payables and accruals	4,792,159	3,880,274	3,898,178	2,768,216
Due to				
- subsidiaries (trade)	-	-	220,509	249,541
- subsidiaries (non-trade)	-	-	985,526	785,646
Loans and borrowings	17,344,100	17,330,590	16,793,851	17,206,361
Current tax payable	324,487	350,322	207,457	207,457
<b>Current liabilities</b>	<b>28,846,492</b>	<b>28,738,722</b>	<b>24,092,168</b>	<b>24,247,172</b>
<b>Total liabilities</b>	<b>29,635,570</b>	<b>28,999,832</b>	<b>24,356,965</b>	<b>24,395,418</b>
<b>Total equity and liabilities</b>	<b>80,754,462</b>	<b>79,807,431</b>	<b>64,360,178</b>	<b>64,436,970</b>



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

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
Inventory turnover (days)	106	97	91	77
Trade receivables turnover (days)	114	103	176	145
Trade receivables turnover (days) (without GZQH balances)	72	67	89	72
Debt equity ratio	0.58	0.57	0.61	0.61

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

**Notes to Statements of Financial Position**

- (1) The Group has adopted the new Singapore Financial Reporting Standards (International) (“SFRS(I)”) 16 *Leases*, which took effect on 1 January 2019, using the modified retrospective approach. SFRS(I) 16 introduces a single, on-balance sheet lease accounting model. The rationale of the change is to better reflect the economic substance of lease transactions. It requires a lessee to recognise a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

In compliance with SFRS(I) 16, the Group and the Company has applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to initial recognition, the Group and the Company depreciate the ROU assets over the shorter of the useful life of the ROU assets and the lease term, and recognise interest expenses on the lease liabilities.

The ROU assets as at 30 June 2019 were mainly related to leases of the offices, warehouses, retail spaces and farm facilities occupied by the Group in the various locations. Accordingly, there was a corresponding increase in finance lease liabilities (included in loans and borrowings) of approximately \$1.0 million as at 30 June 2019.

- (2) Intangible assets comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	\$	\$	\$	\$
Trademarks/customer acquisition costs/formulation rights	4,051,497	4,051,497	3,971,497	3,971,497
Product listing fees	196,153	196,153	196,153	196,153
	4,247,650	4,247,650	4,167,650	4,167,650
Less accumulated amortisation	(1,033,270)	(958,937)	(999,937)	(938,937)
	3,214,380	3,288,713	3,167,713	3,228,713



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**Notes to Statements of Financial Position (cont'd)**

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

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

(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 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	%	%	\$	\$
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
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)	100	100	1,240,393	1,240,393
Tian Tian Fisheries (Hainan) Co., Ltd (People's Republic of China)	60	60	377,683	377,683
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
	Balance carried forward		2,378,333	2,378,333



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**Notes to Statements of Financial Position (cont'd)**

Name of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	%	%	\$	\$
	Balance brought forward		2,378,333	2,378,333
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)	97.25	97.25	1,357,516	1,357,516
			<u>3,888,402</u>	<u>3,888,402</u>

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

As part of the Group's strategic plan to streamline its existing accessories operations in China, the Company has entered into a Sale and Purchase Agreement to acquire the entire equity interest in Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH"), a former subsidiary of the Group. The rationale of the acquisition was disclosed in the SGXNET announcement released on 22 March 2019.

As mentioned in the SGXNET announcement, the GZQH acquisition is subject to the completion of all legal and financial due diligence on GZQH, the results of which must be satisfactory to Qian Hu, as well as the necessary approval from all relevant regulatory authorities. Upon the successful completion of the acquisition, GZQH will become a wholly-owned subsidiary of the Company.

- (4) Trade and other receivables (non-current) relates to amount due from GZQH. Based on a repayment arrangement entered into with GZQH in FY 2018, \$1.0 million of the receivables as at 31 December 2018 is due on 31 December 2019 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 \$7.3 million (31/12/2018: \$7.3 million) is guaranteed by a major shareholder of the Company and a director of the Company.

- (5) 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 are determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier. The marginal decrease in breeder stocks balance as at 30 June 2019 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)**

(6) Inventories comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	\$	\$	\$	\$
Fish	2,714,703	3,295,601	1,376,407	1,871,894
Accessories	11,367,522	12,013,991	4,519,329	5,049,832
Plastics products - raw materials	437,875	308,458	-	-
Plastics products - finished goods	659,086	614,903	-	-
	<b>15,179,186</b>	<b>16,232,953</b>	<b>5,895,736</b>	<b>6,921,726</b>
Less allowance for inventory obsolescence	(399,790)	(369,290)	(306,000)	(275,500)
	<b>14,779,396</b>	<b>15,863,663</b>	<b>5,589,736</b>	<b>6,646,226</b>

The decrease in accessories inventory balance as at 30 June 2019 was mainly a result of the consolidation of the various China accessories operations into a single location with the intention to attain a more efficient and effective inventory management and logistic system.

(7) Trade receivables comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	\$	\$	\$	\$
Trade receivables	17,691,153	18,027,466	10,789,615	11,418,648
Less impairment loss on trade receivables	(1,464,675)	(1,483,905)	(1,081,233)	(1,096,967)
	<b>16,226,478</b>	<b>16,543,561</b>	<b>9,708,382</b>	<b>10,321,681</b>

(8) Other receivables, deposits and prepayments comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	\$	\$	\$	\$
Other receivables	1,237,937	1,569,898	1,029,355	1,390,345
Deposits	319,733	342,966	64,949	56,697
Prepayments	969,736	933,785	195,487	165,003
Advances to suppliers	350,256	304,498	275,904	254,825
Deposits for purchase of property, plant and equipment	-	222,666	-	-
Tax recoverable	83,888	70,337	-	-
	<b>2,961,550</b>	<b>3,444,150</b>	<b>1,565,695</b>	<b>1,866,870</b>



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**Notes to Statements of Financial Position (cont'd)**

The decrease in other receivables, deposits and prepayments balance as at 30 June 2019 was mainly due to:-

- decrease in deposits for purchase of property, plant and equipment, which was mainly in relation to the infrastructure construction work undertaken by our Hainan and Thailand subsidiaries. The amount has been capitalised as property, plant and equipment upon the completion of the construction work; and
- decrease in other receivables as a result of the receipt of proceeds arising from the disposal of SHQH.

(9) Other payables and accruals comprise:

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	\$	\$	\$	\$
Accrued operating expenses	418,972	439,799	310,525	322,934
Accrued staff costs	1,636,238	1,482,211	1,343,508	1,054,961
Other payables	2,377,054	1,681,913	1,963,856	1,149,306
Advance received from customers	359,895	276,351	280,289	241,015
	<b>4,792,159</b>	<b>3,880,274</b>	<b>3,898,178</b>	<b>2,768,216</b>

The increase in other payables and accruals as at 30 June 2019 was mainly due to the increase in payments due to non-trade suppliers.

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

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
	\$	\$	\$	\$
<b>Non-current liabilities</b>				
Finance lease liabilities	743,578	215,515	264,797	148,246
	<b>743,578</b>	<b>215,515</b>	<b>264,797</b>	<b>148,246</b>
<b>Current liabilities</b>				
Short-term loans (unsecured)	16,400,000	16,700,000	16,400,000	16,700,000
Bills payable to banks (unsecured)	271,906	407,351	186,270	370,630
Finance lease liabilities	672,194	223,239	207,581	135,731
	<b>17,344,100</b>	<b>17,330,590</b>	<b>16,793,851</b>	<b>17,206,361</b>
Total borrowings	<b>18,087,678</b>	<b>17,546,105</b>	<b>17,058,648</b>	<b>17,354,607</b>

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 2.89% to 3.10% (31/12/2018: 2.53% to 3.00%) per annum and are repayable within the next 12 months from the reporting date.

As at 30 June 2019, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$1.7 million (31/12/2018: \$1.7 million).



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1(c) **STATEMENT OF CASH FLOWS**  
**FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

	Group		Group	
	3 months ended 30 Jun 2019	2018	6 months ended 30 Jun 2019	2018
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Profit before tax	321,599	232,668	389,354	397,281
Adjustments for:				
Bad trade receivables written off	15,425	21,420	193,908	60,632
Depreciation of				
- property, plant and equipment	674,252	446,104	1,387,139	885,930
- brooder stocks	60,070	55,779	120,136	109,806
Amortisation of intangible assets	37,166	37,167	74,333	67,667
Gain on disposal of				
property, plant and equipment	(2,481)	(7,487)	(437)	(19,738)
Property, plant and equipment written off	-	6,396	40	7,155
Change in fair value less estimated				
point-of-sale costs of breeder stocks	-	10,000	-	10,000
(Write back of) Impairment loss on				
trade receivables	(6,637)	1,135	(2,125)	2,473
Allowance for inventory obsolescence	30,500	43,500	30,500	43,500
Interest expense	153,655	130,561	304,890	241,119
Interest income	(15,151)	(2,503)	(21,473)	(3,666)
<b>Operating profit before working capital changes</b>	1,268,398	974,740	2,476,265	1,802,159
(Increase) Decrease in:				
Inventories	261,271	(829,998)	1,136,839	(1,143,937)
Breeder stocks	-	(10,260)	960	(11,760)
Trade receivables	(481,840)	(461,987)	153,998	(512,275)
Other receivables, deposits and prepayments	807,223	212,110	527,330	(321,948)
Increase (Decrease) in:				
Trade payables	85,986	135,539	(784,159)	(22,116)
Bills payable to banks	90,988	(263,149)	(135,222)	(371,013)
Other payables and accruals	1,005,196	476,269	899,318	(1,802,726)
<b>Cash generated from (used in) operating activities</b>	3,037,222	233,264	4,275,329	(2,383,616)
Tax paid	(122,971)	(74,845)	(133,537)	(141,358)
<b>Net cash from (used in) operating activities</b>	2,914,251	158,419	4,141,792	(2,524,974)
<b>Cash flows from investing activities</b>				
Purchase of				
- property, plant and equipment	(282,435)	(334,437)	(601,743)	(549,662)
- intangible asset	-	(80,000)	-	(80,000)
Proceeds from disposal of				
property, plant and equipment	10,343	7,299	19,288	32,721
Interest received	15,151	2,503	21,473	3,666
<b>Net cash used in investing activities</b>	(256,941)	(404,635)	(560,982)	(593,275)



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1(c) **STATEMENT OF CASH FLOWS**  
**FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2019 (cont'd)**

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>	<u>2018</u>	<u>6 months ended 30 Jun</u>	<u>2018</u>
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Net cash used in investing activities</b>				
Drawdown of bank term loans	-	1,000,000	-	2,200,000
Capital contribution from non-controlling interests	-	247,200	-	247,200
Repayment of				
- finance lease liabilities	(261,828)	(76,599)	(542,548)	(130,805)
- bank term loans	(150,000)	(169,296)	(300,000)	(239,456)
Payment of dividend to				
- owners of the Company	(227,052)	(227,052)	(227,052)	(227,052)
- non-controlling interests	-	-	-	(82,200)
Interest paid	(153,052)	(128,896)	(303,040)	(236,819)
<b>Net cash (used in) from financing activities</b>	<u>(791,932)</u>	<u>645,357</u>	<u>(1,372,640)</u>	<u>1,530,868</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,865,378	399,141	2,208,170	(1,587,381)
Cash and cash equivalents at beginning of period	11,882,866	9,218,151	11,491,413	11,123,954
Effect of exchange rate changes on cash balances held in foreign currencies	(22,559)	(52,248)	26,102	28,471
<b>Cash and cash equivalents at end of period (Note i)</b>	<u>13,725,685</u>	<u>9,565,044</u>	<u>13,725,685</u>	<u>9,565,044</u>

**Notes to Statement of Cash Flows**

(i) Cash and cash equivalents comprise:

	<u>Group</u>	
	<u>30 Jun 2019</u>	<u>30 Jun 2018</u>
	\$	\$
Fixed deposits	2,060,629	-
Cash and bank balances	11,665,056	9,565,044
	<u>13,725,685</u>	<u>9,565,044</u>

(ii) The improvement in **net cash from operating activities** in the current quarter and for the six months ended 30 June 2019 as compared to the corresponding periods in 2018 was mainly due to lower inventory held and the realisation of receivables into cash during the periods.

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

**Net cash used in financing activities** was for the settlement of bank loans and finance lease liabilities, as well as the servicing of interest payments on a monthly basis. In addition, there was payment of dividend made to the shareholders of the Company in April 2019.



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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 \$		
<b>Balance at 1 Jan 2018</b>	30,772,788	18,101,960	43,720	48,918,468	2,716,178	51,634,646
Effect on adoption of SFRS(I) 9 (Note 1)	-	(722,340)	-	(722,340)	(65,660)	(788,000)
<b>Total comprehensive income for the year</b>						
Profit for the year	-	401,791	-	401,791	166,687	568,478
<b>Other comprehensive income</b>						
Foreign currency translation differences for foreign operations, net of tax	-	-	90,256	90,256	(709,529)	(619,273)
Total other comprehensive income	-	-	90,256	90,256	(709,529)	(619,273)
Total comprehensive income for the year	-	401,791	90,256	492,047	(542,842)	(50,795)
<b>Transactions with owners, recognised directly in equity</b>						
<b>Distributions to owners</b>						
Payment of first and final dividend	-	(227,052)	-	(227,052)	-	(227,052)
Total distributions to owners	-	(227,052)	-	(227,052)	-	(227,052)
<b>Changes in ownership interests</b>						
Incorporation of subsidiary with non-controlling interests	-	-	-	-	238,800	238,800
Total changes in ownership interests	-	-	-	-	238,800	238,800
Total transactions with owners	-	(227,052)	-	(227,052)	238,800	11,748
<b>Balance at 31 Dec 2018</b>	30,772,788	17,554,359	133,976	48,461,123	2,346,476	50,807,599
<b>Total comprehensive income for the period</b>						
Profit for the period	-	273,284	-	273,284	28,246	301,530
<b>Other comprehensive income</b>						
Foreign currency translation differences for foreign operations, net of tax	-	-	144,332	144,332	92,483	236,815
Total other comprehensive income	-	-	144,332	144,332	92,483	236,815
Total comprehensive income for the period	-	273,284	144,332	417,616	120,729	538,345
<b>Transactions with owners, recognised directly in equity</b>						
<b>Distributions to owners</b>						
Payment of first and final dividend	-	(227,052)	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)	-	(227,052)
<b>Balance at 30 Jun 2019</b>	30,772,788	17,600,591	278,308	48,651,687	2,467,205	51,118,892

**Note 1 –**

SFRS(I) 9 *Financial Instruments* which took effect for the financial year ended 31 December 2018 replaced the current ‘incurred loss’ model with a forward-looking expected credit loss (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost or fair value through other comprehensive income (“FVOCI”), except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.



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

In compliance with SFRS(I) 9, the Group has applied the simplified approach and has recorded the amount of loss allowance on all trade and other receivables by ascertaining the amount of ECLs that would result from all possible default events over the expected life of a financial instrument (lifetime ECLs). Based on the assessment made, there was an increase in impairment for trade and other receivables of approximately \$0.8 million and \$0.4 million for the Group and for the Company respectively as at 1 January 2018 with the adoption of SFRS(I) 9.

The changes in accounting policies resulting from the adoption of SFRS(I) 9 has been applied by the Group and the Company retrospectively. However, the Group and the Company have adopted the exemption in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards* allowing it not to restate the comparative information in the FY 2018 financial statements. The differences in the carrying amounts of financial assets resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

<b>Company</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Translation reserve</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balance at 1 Jan 2018 (FRS)</b>	30,772,788	9,668,079	9,305	40,450,172
Effect on adoption of SFRS(I) 9 (Note 1)	-	(401,000)	-	(401,000)
<b>Total comprehensive income for the year</b>				
Profit for the year	-	200,765	-	200,765
<b>Other comprehensive income</b>				
Foreign currency translation differences for foreign operations, net of tax	-	-	18,667	18,667
Total other comprehensive income	-	-	18,667	18,667
Total comprehensive income for the year	-	200,765	18,667	219,432
<b>Transactions with owners, recognised directly in equity</b>				
<b>Distributions to owners</b>				
Payment of first and final dividend	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)
<b>Balance at 31 Dec 2018</b>	30,772,788	9,240,792	27,972	40,041,552
<b>Total comprehensive income for the period</b>				
Profit for the period	-	177,468	-	177,468
<b>Other comprehensive income</b>				
Foreign currency translation differences for foreign operations, net of tax	-	-	11,245	11,245
Total other comprehensive income	-	-	11,245	11,245
Total comprehensive income for the period	-	177,468	11,245	188,713
<b>Transactions with owners, recognised directly in equity</b>				
<b>Distributions to owners</b>				
Payment of first and final dividend	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)
<b>Balance at 30 Jun 2019</b>	30,772,788	9,191,208	39,217	40,003,213



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

	Number of shares	\$
<b>Share capital</b>		
<b>Ordinary shares issued and fully paid</b>		
Balance as at 1 Jan 2019 and 30 Jun 2019	<u>113,526,467</u>	<u>30,772,788</u>

There was no movement in the issued and paid-up capital of the Company since 31 December 2018.

There were no outstanding convertibles as at 30 June 2019 (30/6/2018: Nil).

The Company did not hold any treasury shares as at 30 June 2019 (30/6/2018: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the six months ended 30 June 2019.

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 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

**KENNY YAP KIM LEE**  
Executive Chairman and  
Managing Director

**ALVIN YAP AH SENG**  
Deputy Managing Director

Singapore  
17 July 2019

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



## QIAN HU CORPORATION LIMITED

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### 4 ACCOUNTING POLICIES

Other than the adoption of the new SFRS(I)s, amendments and interpretations of SFRS(I)s 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 2018.

### 5 CHANGES IN ACCOUNTING POLICIES

During the current financial year, the Group and the Company have adopted the following new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 3 and SFRS(I) 11 *Previously Held Interest in a Joint Operation*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement*
- Amendments to SFRS(I) 1-23 *Borrowing Costs Eligible for Capitalisation*
- Amendments to SFRS(I) 1-28 *Long-Term Interests in Associates and Joint Ventures*

The adoption of the above new SFRS(I)s, amendments and interpretations of SFRS(I)s is assessed to have no material financial effect on the results and financial position of the Group and of the Company for the year ending 31 December 2019. Accordingly, it has no material impact on the earnings per share of the Group and of the Company.

Please refer to page 6 for further details on the quantum of the adjustment made in relation to SFRS(I) 16.

### 6 EARNINGS PER ORDINARY SHARE (EPS)

	Group		Group	
	3 months ended 30 Jun 2019	2018	6 months ended 30 Jun 2019	2018
Earnings Per Ordinary Share (based on consolidated net profit attributable to owners)				
- on weighted average number of ordinary shares on issue (cents)	0.21	0.13	0.24	0.16
- on a fully diluted basis (cents)	0.21	0.13	0.24	0.16

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

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





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7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	45.03	44.75	35.24	35.27

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 2019 vs 6 months 2018**

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>6 months ended 30 Jun</u>		<u>\$'000</u>	<u>%</u>
	<u>2019</u>	<u>2018</u>		
Fish	15,997	18,436	(2,439)	(13.2)
Accessories	16,417	19,584	(3,167)	(16.2)
Plastics	5,653	5,539	114	2.1
	<u>38,067</u>	<u>43,559</u>	<u>(5,492)</u>	<u>(12.6)</u>

For the six months ended 30 June 2019, the fish and accessories activities continued to be our core business segments, which together accounted for approximately 85.1% of the total revenue. Our overall revenue registered of \$38.1 million for the six months ended 30 June 2019 was approximately \$5.5 million or 12.6% lower than that of its corresponding period in 2018.

On a geographical basis, revenue from Singapore grew by approximately 1.5% in the 1<sup>st</sup> half of 2019, while revenue from overseas dipped by 18.0% as compared to its corresponding period in 2018.

**2Q 2019 vs 2Q 2018**

	<u>Group</u>		<u>Decrease</u>	
	<u>2Q</u>		<u>\$'000</u>	<u>%</u>
	<u>2019</u>	<u>2018</u>		
Fish	7,619	8,968	(1,349)	(15.0)
Accessories	8,803	10,058	(1,255)	(12.5)
Plastics	2,793	2,923	(130)	(4.4)
	<u>19,215</u>	<u>21,949</u>	<u>(2,734)</u>	<u>(12.5)</u>

Our overall revenue decreased by approximately \$2.7 million or 12.5% in the 2<sup>nd</sup> quarter of 2019 as compared to its corresponding period in 2018. All business segments registered a reduction in revenue contributions during the current quarter.



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

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

**2Q 2019 vs 2Q 2018 (cont'd)**

**Fish**

With the improved revenue generated from the aquaculture business in the Hainan Province (China), as well as our continuous efforts to 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, it had given rise to a positive growth in our fish revenue contribution. The improvement, however, was offset by the intense price competition from the sales of Dragon Fish since the previous financial year, which had resulted in a continuous decline in its selling price throughout the year. This had, to some extent, affected the overall fish revenue contribution in the current quarter as compared to its corresponding period in 2018.

Nonetheless, with more efforts focused on the emerging aquaculture business, we envisage that the revenue and profitability of the Group's fish business will gradually revive in the coming quarters.

**Accessories**

The revenue contribution from our accessories business plunged by approximately \$1.3 million or 12.5% in the current quarter as compared to its corresponding period in 2018. This was mainly a result of the disposal of our subsidiary in Shanghai during the 4<sup>th</sup> quarter of 2018, with the intention to consolidate and streamline the Group's accessories operations in China, so as to trim down operating costs and work towards a more efficient and effective inventory management and logistic system.

In addition, despite our conscientious efforts made to focus on selling more of our proprietary brand of innovative products, our revenue from the accessories export activities was affected by the weakening purchasing sentiments experienced globally. Our customers grew to be more vigilant in their procurement requirements citing the volatility of the trading currencies and sentiments were further compounded by the unpredictable outcome of the on-going trade war during the current quarter.

**Plastics**

Revenue from our plastics activities registered a reduction of approximately \$0.1 million or 4.4% in the 2<sup>nd</sup> quarter of 2019 as compared to its corresponding period in 2018, mainly due to the softening of demand from the domestic market. We managed to focus on generating revenue through selling products with sustainable margins instead of entering into price war with our competitors.

**2Q 2019 vs 1Q 2019**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>2Q 2019</b>	<b>1Q 2019</b>	<b>\$'000</b>	<b>%</b>
Fish	7,619	8,378	(759)	(9.1)
Accessories	8,803	7,614	1,189	15.6
Plastics	2,793	2,860	(67)	(2.3)
	<b>19,215</b>	<b>18,852</b>	<b>363</b>	<b>1.9</b>



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

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

**2Q 2019 vs 1Q 2019 (cont'd)**

Although the revenue from our fish activities registered a reduction of \$0.8 million or 9.1% quarter-on-quarter, the increase in our accessories revenue by approximately \$1.2 million or 15.6% has resulted in an increase in overall revenue by approximately \$0.4 million or 1.9% in the current quarter as compared to the previous quarter.

**Fish**

Moving into 2<sup>nd</sup> quarter of 2019, despite improved revenue generated from the aquaculture business in the Hainan Province (China), we saw a reduction in our fish revenue contribution by \$0.8 million or 9.1% 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 was 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 1<sup>st</sup> 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. This had resulted in an increase in revenue contribution registered by this business segment of approximately \$1.2 million or 15.6% in the current quarter as compared to the previous quarter.

**Plastics**

Revenue from our plastic business remained relatively consistent in the current quarter, comparable to that of the previous quarter in 2019.

(b) **Profitability**

**6 months 2019 vs 6 months 2018**

	<b>Group</b>		<b>Increase</b>	
	<b>6 months ended 30 Jun</b>		<b>(Decrease)</b>	
	<b>2019</b>	<b>2018</b>	<b>\$'000</b>	<b>%</b>
	\$'000	\$'000	\$'000	%
Fish	825	743	82	11.0
Accessories	750	893	(143)	(16.0)
Plastics	473	340	133	39.1
Unallocated corporate expenses	(1,659)	(1,579)	(80)	(5.1)
	<b>389</b>	<b>397</b>	<b>(8)</b>	<b>(2.0)</b>

Despite the lower revenue contribution registered, our overall operating profit for the six months ended 30 June 2019 was comparable to its corresponding period in 2018. The decline in profitability from our accessories business was offset by the considerable improvement in profit generated from our plastics business.



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

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

**2Q 2019 vs 2Q 2018**

	Group		Increase	
	2Q 2019	2Q 2018	(Decrease)	
	\$'000	\$'000	\$'000	%
Fish	588	378	210	55.6
Accessories	429	583	(154)	(26.4)
Plastics	254	162	92	56.8
Unallocated corporate expenses	(950)	(890)	(60)	(6.7)
	<u>321</u>	<u>233</u>	<u>88</u>	37.8

Notwithstanding the higher profit contribution from our fish business, the reduction in operating profit generated from the accessories business segment has partially slashed the profitability registered in the 2<sup>nd</sup> quarter of 2019 as compared to its corresponding period in 2018.

**Fish**

The improvement in the operating profit from our fish business in the current quarter as compared to its corresponding period in 2018 was mainly due to the difference in sales mix recorded in both periods (by focusing more on the sales of edible fish while gradually downsizing our Dragon Fish activities), coupled with the improved revenue contribution and better margin yielded from our aquaculture business.

**Accessories**

Operating profit from our accessories business decreased by approximately \$0.2 million or 26.4% in the current quarter as compared to the corresponding period in 2018 due to lower revenue contribution mainly a result of the disposal of our subsidiary in Shanghai during the 4<sup>th</sup> quarter of 2018, with the intention to consolidate and streamline the Group's accessories operations in China, as well as our on-going efforts to capture more sales, which had sliced off the profit margin of our accessories business in the current quarter.

**Plastics**

Despite the lower revenue contribution in the current quarter, the improved profit margins and the difference in sales mix recorded in both periods had given rise to the surge in profit contribution from the plastics business by approximately \$0.1 million or 56.8% in the 2<sup>nd</sup> quarter of 2019 as compared to the corresponding period in 2018.

**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.



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

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

**2Q 2019 vs 1Q 2019**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>2Q 2019</b>	<b>1Q 2019</b>	<b>\$'000</b>	<b>%</b>
	\$'000	\$'000		
Fish	588	237	351	148.1
Accessories	429	321	108	33.6
Plastics	254	219	35	16.0
Unallocated corporate expenses	(950)	(709)	(241)	(34.0)
	<b>321</b>	<b>68</b>	<b>253</b>	<b>372.1</b>

**Fish**

As mentioned above, the substantial growth in profitability, despite a reduction in revenue registered by the fish business in the 2<sup>nd</sup> quarter of 2019 as compared to its previous quarter, was a result of the difference in sales mix, coupled with the improved revenue contribution and better margin yielded from our aquaculture business in the current quarter.

**Accessories**

The better profit yielded from our accessories activities were in accordance with the steady increase in revenue from 1<sup>st</sup> quarter 2019 to 2<sup>nd</sup> quarter of 2019 as well as the sales of more proprietary brand of innovative products with better margins.

**Plastics**

The profitability of the plastics business was lifted by the improved profit margins due to the difference in sales mix recorded in both quarters, despite the flat growth in revenue contribution in the current quarter, as compared to the previous quarter in 2019.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

The visions of our Group are:

- to be the world's Number 1 ornamental fish exporter;
- to breed Ornamental Fish of the highest value;
- to establish our "Ocean Free" and "OF" brands as the most recognisable amongst 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 visions of the Group were announced in detail in our Full Year Financial Statements and Dividend Announcement dated 11 January 2019.



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### 10 PROSPECTS (cont'd)

The business landscape continues to be challenging, requiring us to be continually innovative, nimble and agile. We believe that we have the right combination of quality products, an innovative and creative mindset, a strategic roadmap and a strong business network that will drive our performance. 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, as well as the sustainable farming of edible fish fingerlings for the China consumer market while actively increasing the number of export markets for seafood products. 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 half year ended 30 June 2019 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 2019</u>	<u>30 Jun 2018</u>	<u>30 Jun 2019</u>	<u>30 Jun 2018</u>
	\$	\$	\$	\$
Guarantee fee paid to a major shareholder of the Company *	18,000	18,100	18,000	18,100
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 2019.



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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 and edible 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 2019				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>Revenue</b>					
External revenue	15,997	16,417	5,653	-	38,067
Inter-segment revenue	767	1,337	91	(2,195)	-
<b>Total Revenue</b>	<b>16,764</b>	<b>17,754</b>	<b>5,744</b>	<b>(2,195)</b>	<b>38,067</b>
<b>Results</b>					
EBITDA *	1,633	1,309	717	(1,405)	2,254
Depreciation and amortisation	(809)	(529)	(243)	-	(1,581)
Interest expense	(9)	(30)	(1)	(265)	(305)
Interest income	10	-	-	11	21
Profit before tax	825	750	473	(1,659)	389
Tax expense	(25)	(13)	(50)	-	(88)
<b>Profit for the period</b>	<b>800</b>	<b>737</b>	<b>423</b>	<b>(1,659)</b>	<b>301</b>
<b>Net profit margin</b>	<b>5.0%</b>	<b>4.5%</b>	<b>7.5%</b>		<b>0.8%</b>
<b>Assets and Liabilities</b>					
Segment assets	37,732	35,983	5,332	1,707	80,754
Segment liabilities	5,505	5,183	2,156	16,792	29,636
<b>Other Segment Information</b>					
Expenditures for non-current assets **	440	165	87	-	692
Other non-cash items:					
Bad trade receivables written off	192	-	2	-	194
(Gain) Loss on disposal of property, plant and equipment	(6)	-	6	-	-
(Write back of) Impairment loss on trade receivables	(45)	43	-	-	(2)
Allowance for inventory obsolescence	-	31	-	-	31

\* 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 2018				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>Revenue</b>					
External revenue	18,436	19,584	5,539	-	43,559
Inter-segment revenue	1,225	2,700	82	(4,007)	-
<b>Total Revenue</b>	<b>19,661</b>	<b>22,284</b>	<b>5,621</b>	<b>(4,007)</b>	<b>43,559</b>
<b>Results</b>					
EBITDA *	1,434	1,189	447	(1,371)	1,699
Depreciation and amortisation	(684)	(274)	(106)	-	(1,064)
Interest expense	(9)	(23)	(1)	(208)	(241)
Interest income	2	1	-	-	3
Profit before tax	743	893	340	(1,579)	397
Tax expense	(62)	(86)	-	-	(148)
<b>Profit for the period</b>	<b>681</b>	<b>807</b>	<b>340</b>	<b>(1,579)</b>	<b>249</b>
<b>Net profit margin</b>	<b>3.7%</b>	<b>4.1%</b>	<b>6.1%</b>		<b>0.6%</b>
<b>Assets and Liabilities</b>					
Segment assets	38,714	37,119	5,013	217	81,063
Segment liabilities	4,999	5,317	2,166	17,290	29,772
<b>Other Segment Information</b>					
Expenditures for non-current assets **	77	260	375	-	712
Other non-cash items:					
Bad trade receivables written off	61	-	-	-	61
Gain on disposal of property, plant and equipment	(16)	(4)	-	-	(20)
Property, plant and equipment written off	-	7	-	-	7
(Write back of) Impairment loss on trade receivables	(1)	3	-	-	2
Allowance for inventory obsolescence	-	44	-	-	44
Change in fair value less estimated point-of-sale costs of breeder stocks	10	-	-	-	10

(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	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	12,319	12,140	27,766	27,694	56,438	53,497
Other Asian countries	18,765	23,958	5,175	5,619	24,316	27,566
Europe	3,776	4,266	-	-	-	-
Others	3,207	3,195	-	-	-	-
<b>Total</b>	<b>38,067</b>	<b>43,559</b>	<b>32,941</b>	<b>33,313</b>	<b>80,754</b>	<b>81,063</b>

(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
<b>2Q 2019</b>				
Singapore (including domestic sales & sales to Singapore)	1,121	2,334	2,704	6,159
Overseas (including export to & sales in overseas)	6,498	6,469	89	13,056
<b>Total revenue</b>	<b>7,619</b>	<b>8,803</b>	<b>2,793</b>	<b>19,215</b>
<b>2Q 2018</b>				
Singapore	1,176	2,304	2,751	6,231
Overseas	7,792	7,754	172	15,718
<b>Total revenue</b>	<b>8,968</b>	<b>10,058</b>	<b>2,923</b>	<b>21,949</b>
<b>6 months ended 30 Jun 2019</b>				
Singapore (including domestic sales & sales to Singapore)	2,274	4,541	5,504	12,319
Overseas (including export to & sales in overseas)	13,723	11,876	149	25,748
<b>Total revenue</b>	<b>15,997</b>	<b>16,417</b>	<b>5,653</b>	<b>38,067</b>
<b>6 months ended 30 Jun 2018</b>				
Singapore	2,455	4,326	5,359	12,140
Overseas	15,981	15,258	180	31,419
<b>Total revenue</b>	<b>18,436</b>	<b>19,584</b>	<b>5,539</b>	<b>43,559</b>

**BY ORDER OF THE BOARD**

Kenny Yap Kim Lee  
Executive Chairman and Managing Director  
17 July 2019