



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

FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	Note	Group		Change %
		3 months ended 31 Mar		
		2018 \$'000	2017 \$'000	
Revenue		21,610	21,575	0.2
Cost of sales		(15,082)	(15,328)	(1.6)
Gross profit		6,528	6,247	4.5
Other income	i	61	30	103.3
		6,589	6,277	5.0
Selling & distribution expenses	ii	(380)	(313)	21.4
General & administrative expenses	ii	(5,936)	(5,713)	3.9
Results from operating activities	iii	273	251	8.8
Finance income	iv	1	1	-
Finance costs	iv	(110)	(81)	35.8
		164	171	(4.1)
Share of profits of associate		-	4	(100.0)
Profit before tax		164	175	(6.3)
Tax expense	v	(89)	(51)	74.5
Profit for the period		75	124	(39.5)
Profit attributable to:				
Owners of the Company		35	36	(2.8)
Non-controlling interests		40	88	(54.5)
Profit for the period		75	124	(39.5)
Gross profit margin		30.2%	29.0%	
Net profit margin		0.3%	0.6%	
Effective tax rate		54.3%	31.4%	



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STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Group		
	3 months ended 31 Mar		
	2018	2017	Change
	\$'000	\$'000	%
Profit for the period	75	124	(39.5)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences			
- foreign operations, net of tax	139	(30)	563.3
Other comprehensive income for the period, net of tax	139	(30)	563.3
Total comprehensive income for the period	214	94	127.7
Total comprehensive income attributable to:			
Owners of the Company	195	(3)	NM
Non-controlling interests	19	97	(80.4)
Total comprehensive income for the period	214	94	127.7

NM: Not meaningful

Notes to Statement of Profit or Loss

(i) **Other income**

Other income comprises:

	Group	
	3 months ended 31 Mar	
	2018	2017
	\$'000	\$'000
Gain (Loss) on disposal of property, plant and equipment	12	(3)
Sundry income	49	33
	61	30

- (ii) **Selling & distribution expenses** – increased by \$67K or 21.4%
General & administrative expenses – increased by \$223K or 3.9%

The total increase in operating expenses by approximately \$0.3 million or 4.8% in the 1st quarter of 2018 as compared to its corresponding period in 2017 was mainly due to expenses incurred by our newly incorporated subsidiary in the Hainan Province, as well as higher personnel expenses as a result of the increase in headcount and annual salary revision.

The above increase was partially offset by the reduction in exchange loss and consultancy fees during the current quarter.



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

(iii) **Profit from operations**

This is determined after charging the following:

	Group	
	3 months ended 31 Mar	
	2018	2017
	\$'000	\$'000
Auditors' remuneration		
- auditors of the Company	29	27
- other auditors	5	3
Non-audit fees		
- other auditors	7	5
Directors' fees		
- directors of the Company	22	25
Directors' remuneration		
- directors of the Company	284	284
- directors of subsidiaries	93	91
Amortisation of intangible assets	31	6
Bad trade receivables written off	39	3
Depreciation of		
- property, plant and equipment	440	412
- brooder stocks	54	47
Allowance for doubtful trade receivables	1	49
Operating lease expenses	312	281
Personnel expenses *	3,778	3,374
Exchange loss, net	7	80

* Include directors' remuneration.

(iv) **Financial income**
Financial costs

	Group	
	3 months ended 31 Mar	
	2018	2017
	\$'000	\$'000
Interest expense		
- bank loans and overdrafts	95	71
- bills payable to banks	7	4
- finance lease liabilities	8	6
	110	81
Interest income		
- bank deposits	(1)	(1)
Net finance costs	109	80

The increase in net finance costs by approximately 36.3% in the current quarter as compared to the corresponding period in 2017 was mainly due to higher interest rates charged by financial institutions as well as an increase in the amount of bank borrowings outstanding during the current reporting period.



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

(v) **Tax expense**

	Group	
	3 months ended 31 Mar	
	2018	2017
	\$'000	\$'000
Current tax expense		
- current year	89	55
- over provision in respect of prior years	-	(4)
	89	51

The effective tax rate registered for the current quarter and its corresponding period in 2017 were higher than the amount obtained by applying the statutory tax rate of 17% on profit before tax mainly due to losses incurred by some entities which cannot be offset against profits earned by other companies within the Group and the varying statutory tax rates of the different countries in which the Group operates. In addition, there were higher profit contributions from entities with a higher tax rate.



QIAN HU CORPORATION LIMITED
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1(b)(i) **STATEMENTS OF FINANCIAL POSITION**

	Group			Company		
	31 Mar 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 * \$'000	31 Mar 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 * \$'000
Assets						
Property, plant and equipment	9,440	9,599	8,750	4,825	4,948	5,348
Investment property	1,586	1,586	1,586	-	-	-
Intangible assets	3,320	3,351	889	3,320	3,351	889
Brooder stocks	9,678	9,382	8,180	9,678	9,382	8,180
Investments in subsidiaries	-	-	-	3,007	3,007	2,381
Investment in associate	-	-	278	-	-	413
Trade and other receivables	9,047	9,047	9,031	9,047	9,047	9,031
Non-current assets	33,071	32,965	28,714	29,877	29,735	26,242
Breeder stocks	98	97	67	98	97	67
Inventories	15,870	15,584	15,453	6,130	6,673	6,667
Trade receivables	16,529	16,992	17,559	9,388	9,528	10,295
Other receivables, deposits and prepayments	5,138	4,872	6,298	2,287	2,100	3,903
Due from						
- subsidiaries (trade)	-	-	-	7,043	6,849	6,436
- subsidiaries (non-trade)	-	-	-	2,834	2,834	2,843
- associate (trade)	-	-	849	-	-	849
Cash and bank balances	9,218	11,124	8,723	5,536	6,218	5,236
Current assets	46,853	48,669	48,949	33,316	34,299	36,296
Total assets	79,924	81,634	77,663	63,193	64,034	62,538
Equity						
Share capital	30,773	30,773	30,773	30,773	30,773	30,773
Reserves	17,743	18,146	17,772	9,360	9,677	10,518
Equity attributable to owners of the Company	48,516	48,919	48,545	40,133	40,450	41,291
Non-controlling interests	2,735	2,716	1,948	-	-	-
Total equity	51,251	51,635	50,493	40,133	40,450	41,291
Liabilities						
Loans and borrowings	210	246	364	123	144	241
Deferred tax liabilities	58	57	50	-	-	-
Non-current liabilities	268	303	414	123	144	241
Trade payables	7,255	7,347	7,442	2,341	2,348	2,680
Other payables and accruals	3,742	5,990	3,801	2,500	4,437	2,664
Due to						
- subsidiaries (trade)	-	-	-	399	143	144
- subsidiaries (non-trade)	-	-	-	759	688	540
Loans and borrowings	17,055	16,039	15,205	16,731	15,617	14,771
Current tax payable	353	320	308	207	207	207
Current liabilities	28,405	29,696	26,756	22,937	23,440	21,006
Total liabilities	28,673	29,999	27,170	23,060	23,584	21,247
Total equity and liabilities	79,924	81,634	77,663	63,193	64,034	62,538

* The Group has adopted the new Singapore Financial Reporting Standards (International) (“SFRS(I)”) framework for the financial year ending 31 December 2018 and has applied SFRS(I) 1 with 1 January 2017 as the date of transition, which requires the first SFRS(I) financial statements to comprise of an *opening SFRS(I) statement of financial position at the date of transition to SFRS(I)s*. (Please refer to pages 13 and 14 for more details)



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

	Group		Company	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Inventory turnover (days)	94	92	74	76
Trade receivables turnover (days)	101	103	138	137
Trade receivables turnover (days) (without GZQH balances)	65	68	67	72
Debt equity ratio	0.56	0.58	0.57	0.58

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

Notes to Statements of Financial Position

(1) Intangible assets comprise:

	Group and Company		
	31 Mar 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Trademarks/customer acquisition costs/formulation rights	3,971	3,971	1,471
Product listing fees	196	196	196
	4,167	4,167	1,667
Less accumulated amortisation	(847)	(816)	(778)
	3,320	3,351	889

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

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

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

- (2) The increase in brooder stocks as at 31 March 2018 was related to brooder stocks transferred to the Group as partial settlement of the outstanding amounts due from the purchasers of Kim Kang Aquaculture Sdn Bhd (“Kim Kang”), a former subsidiary of the Group and the advances extended to Kim Kang before its disposal.



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Notes to Statements of Financial Position (cont'd)

(3) The details of subsidiaries are as follows:

Name of subsidiary	Effective equity interest held by the Group			Cost of investment by the Company		
	31 Mar	31 Dec	1 Jan	31 Mar	31 Dec	1 Jan
	2018	2017	2017	2018	2017	2017
	%	%	%	\$'000	\$'000	\$'000
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	100	57	57	57
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	100	172	172	172
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	100	-	-	-
Qian Hu Development Sdn Bhd (Malaysia)	100	100	100	16	16	16
Beijing Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	100	172	172	172
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	100	1,087	1,087	1,087
Guangzhou Qian Hu OF Feed Co., Ltd (People's Republic of China)	100	100	100	126	126	126
Guangzhou Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	100	69	69	69
Qian Hu Aquaculture (Hainan) Co., Ltd (People's Republic of China)	51	51	51 #	626	626	-
Qian Hu Marketing Co Ltd (Thailand)	74	74	74	148	148	148
Thai Qian Hu Company Limited and its subsidiary: (Thailand)	60	60	60	122	122	122
- Advance Aquatic Co., Ltd (Thailand)	60	60	60	-	-	-
NNTL (Thailand) Limited (Thailand)	49 *	49 *	49 *	31	31	31
P.T. Qian Hu Joe Aquatic Indonesia (Indonesia)	90	90	90	381	381	381
				3,007	3,007	2,381

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

Capital contribution made in April 2017.

In November 2017, the Company incorporated a 60% owned subsidiary, Tian Tian Fisheries (Hainan) Co., Ltd, with a registered capital of Rmb 3 million. As at 31 March 2018, the Company has not made any capital contribution into this subsidiary.



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Notes to Statements of Financial Position (cont'd)

- (4) Trade and other receivables (non-current) relates to amount due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (“GZQH”), a former subsidiary of the Group. Based on a repayment arrangement entered into with GZQH in FY 2017, \$1.0 million of the receivables as at 31 December 2017 is due on 31 December 2018 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 (31/12/2017: \$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 increase in breeder stocks balance as at 31 March 2018 was mainly due to difference in quantity, valuation and product mix in relation to the breeder stocks held as at both reporting dates.

- (6) Inventories comprise:

	Group			Company		
	31 Mar 2018	31 Dec 2017	1 Jan 2017	31 Mar 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fish	2,992	3,101	2,846	1,970	2,162	2,038
Accessories	12,143	11,954	12,116	4,412	4,763	4,937
Plastics products - raw materials	464	316	285	-	-	-
Plastics products - finished goods	617	559	608	-	-	-
	16,216	15,930	15,855	6,382	6,925	6,975
Less allowance for inventory obsolescence	(346)	(346)	(402)	(252)	(252)	(308)
	15,870	15,584	15,453	6,130	6,673	6,667

The increase in accessories inventory balance as at 31 March 2018 was mainly due to purchases made for orders due for delivery in the 2nd quarter of 2018.

- (7) Trade receivables comprise:

	Group			Company		
	31 Mar 2018	31 Dec 2017	1 Jan 2017	31 Mar 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	19,328	19,345	19,936	11,756	11,685	12,584
Less allowance for doubtful trade receivables	(2,799)	(2,353)	(2,377)	(2,368)	(2,157)	(2,289)
	16,529	16,992	17,559	9,388	9,528	10,295



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Notes to Statements of Financial Position (cont'd)

(8) Other receivables, deposits and prepayments comprise:

	Group			Company		
	31 Mar 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Mar 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Other receivables *	2,068	2,256	2,956	1,261	1,471	2,827
Deposits	412	306	276	40	39	45
Prepayments	1,283	1,114	1,165	385	170	171
Advances to suppliers	650	526	636	601	420	596
Deposits for purchase of property, plant and equipment	685	632	1,213	-	-	264
Tax recoverable	40	38	52	-	-	-
	5,138	4,872	6,298	2,287	2,100	3,903

* Other receivables as at 31 March 2018 consist of the balance of the outstanding amounts due from the purchasers of Kim Kang of approximately \$1.01 million (31/12/17: \$1.36 million), which were overdue. It has been agreed that the initial overdue amounts will be settled within a maximum of 24 months commencing 1 January 2017. As at 31 March 2018, the outstanding amounts were reduced by \$1.75 million since 1 January 2017 with the transfer of brooder stocks to the Group as settlement-in-kind (please refer to (2) above).

(9) Other payables and accruals comprise:

	Group			Company		
	31 Mar 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Mar 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Accrued operating expenses	433	359	530	323	260	451
Accrued staff costs	966	1,336	1,240	652	952	808
Other payables	2,069	3,981	1,655	1,308	3,005	1,292
Advance received from customers	274	314	376	217	220	113
	3,742	5,990	3,801	2,500	4,437	2,664

The decrease in other payables and accruals as at 31 March 2018 was mainly due to the reduction of accrued staff costs as a result of bonus payment made in January 2018. In addition, there was settlement made in relation to the acquisition of trademarks and formulation rights of a product amounting to approximately \$1.7 million.



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

	Group			Company		
	31 Mar 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Mar 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Non-current liabilities						
Finance lease liabilities	210	246	364	123	144	241
	<u>210</u>	<u>246</u>	<u>364</u>	<u>123</u>	<u>144</u>	<u>241</u>
Current liabilities						
Term loans						
- short-term (unsecured)	16,150	15,000	14,500	16,150	15,000	14,500
- long-term (secured)	47	65	142	-	-	-
Bills payable to banks (unsecured)	664	766	354	496	532	197
Finance lease liabilities	194	208	209	85	85	74
	<u>17,055</u>	<u>16,039</u>	<u>15,205</u>	<u>16,731</u>	<u>15,617</u>	<u>14,771</u>
Total borrowings	<u>17,265</u>	<u>16,285</u>	<u>15,569</u>	<u>16,854</u>	<u>15,761</u>	<u>15,012</u>

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 2.06% to 3.00% (31/12/2017: 1.97% to 3.00%) per annum and are repayable within the next 12 months from the reporting date. There was additional short-term bank borrowing taken up in the 1st quarter of 2018 for the settlement of the acquisition of trademarks and formulation rights of a product made in the 4th quarter of 2017.

The long-term loan is a bank loan of Baht 8.0 million, drawdown by a subsidiary, secured by a mortgage on the subsidiary's freehold land and is callable on demand. It bears interest at 6.75% (31/12/2017: 6.75%) per annum and is payable in 50 monthly instalments commencing September 2014.

As at 31 March 2018, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$1.7 million (31/12/2017: \$1.7 million).



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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	Group	
	3 months ended 31 Mar	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	164	175
Adjustments for:		
Bad trade receivables written off	39	3
Depreciation of		
- property, plant and equipment	440	412
- brooder stocks	54	47
Amortisation of intangible assets	31	6
(Gain) Loss on disposal of property, plant and equipment	(12)	3
Property, plant and equipment written off	1	-
Allowance for doubtful trade receivables	1	49
Share of profits of associate	-	(4)
Interest expense	110	81
Interest income	(1)	(1)
	827	771
Operating profit before working capital changes		
(Increase) Decrease in:		
Inventories	(314)	(404)
Breeder stocks	(2)	(29)
Trade receivables	(50)	658
Other receivables, deposits and prepayments	(534)	(512)
Due from associate (trade)	-	(54)
Increase (Decrease) in:		
Trade payables	(157)	851
Bills payable to banks	(108)	167
Other payables and accruals	(2,279)	(89)
	(2,617)	1,359
Cash (used in) generated from operating activities		
Tax paid	(66)	(12)
	(2,683)	1,347
Cash flows from investing activities		
Purchase of property, plant and equipment	(215)	(676)
Proceeds from disposal of property, plant and equipment	25	5
Interest received	1	1
	(189)	(670)
Net cash used in investing activities		



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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2018**
(cont'd)

	Group	
	3 months ended 31 Mar	
	2018	2017
	\$'000	\$'000
Cash flows from financing activities		
Drawdown of bank term loans	1,200	-
Repayment of		
- finance lease liabilities	(54)	(57)
- bank term loans	(70)	(20)
Payment of dividend to non-controlling interests	(84)	-
Interest paid	(108)	(81)
Net cash from (used in) financing activities	884	(158)
Net (decrease) increase in cash and cash equivalents	(1,988)	519
Cash and cash equivalents at beginning of period	11,124	8,723
Effect of exchange rate changes on cash balances held in foreign currencies	82	(32)
Cash and cash equivalents at end of period	9,218	9,210

Notes to Statement of Cash Flows

Net cash used in operating activities in the 1st quarter of 2018 was mainly due to lower profit generated in the current quarter, as well as the settlement made in relation to the acquisition of trademarks and formulation rights of a product.

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

Net cash from financing activities in the 1st quarter of 2018 was related to cash proceeds received from additional drawdown of bank term loans which was mainly utilised for the payment of dividend to the non-controlling shareholder of a subsidiary, the settlement of finance lease liabilities on a monthly basis and the servicing of interest payments.



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

Group	Attributable to owners of the Company				Non-Controlling interests \$'000	Total Equity \$'000
	Share capital \$'000	Retained earnings \$'000	Translation reserve \$'000	Total \$'000		
Balance at 1 Jan 2017 (FRS)	30,773	18,810	(1,037)	48,546	1,948	50,494
Effect of transition to SFRS(I)s (Note 1)	-	(1,037)	1,037	-	-	-
Balance at 1 Jan 2017 (SFRS(I))	30,773	17,773	-	48,546	1,948	50,494
Total comprehensive income for the year						
Profit for the year	-	329	-	329	220	549
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	44	44	(55)	(11)
Total other comprehensive income	-	-	44	44	(55)	(11)
Total comprehensive income for the year	-	329	44	373	165	538
Transactions with owners, recognised directly in equity						
Changes in ownership interests						
Incorporation of subsidiary with non-controlling interests	-	-	-	-	603	603
Total transactions with owners	-	-	-	-	603	603
Balance at 31 Dec 2017	30,773	18,102	44	48,919	2,716	51,635
Effect on adoption of SFRS(I) 9 (Note 2)	-	(598)	-	(598)	-	(598)
Total comprehensive income for the period						
Profit for the period	-	35	-	35	40	75
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	160	160	(21)	139
Total other comprehensive income	-	-	160	160	(21)	139
Total comprehensive income for the period	-	35	160	195	19	214
Balance at 31 Mar 2018	30,773	17,539	204	48,516	2,735	51,251

Full convergence with Singapore Financial Reporting Standards (International) (“SFRS(I)”) and the adoption of SFRS(I) 9

Note 1 –

The Group has adopted SFRS(I) for the financial year ending 31 December 2018 (“FY 2018”) and has applied SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company.

The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Foreign Currency Translation Reserve (“FCTR”) for all foreign operations to NIL at the date of transition, and reclassify the cumulative FCTR of approximately \$1.0 million as at 1 January 2017 as determined in accordance with the previous Financial Reporting Standards (FRS) at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

Note 2 –

SFRS(I) 9 replaces 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 \$0.6 million and \$0.2 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 should be applied by the Group and the Company retrospectively. However, the Group and the Company have adopted the exemption in SFRS(I) 1 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.

Company	Share capital \$'000	Retained earnings \$'000	Translation reserve \$'000	Total \$'000
Balance at 1 Jan 2017 (FRS)	30,773	10,537	(19)	41,291
Effect of transition to SFRS(I)s (Note 1)	-	(19)	19	-
Balance at 1 Jan 2017 (SFRS(I))	<u>30,773</u>	<u>10,518</u>	<u>-</u>	<u>41,291</u>
Total comprehensive income for the year				
Loss for the year	-	(850)	-	(850)
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	9	9
Total other comprehensive income	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
Total comprehensive income for the year	<u>-</u>	<u>(850)</u>	<u>9</u>	<u>(841)</u>
Balance at 31 Dec 2017	<u>30,773</u>	<u>9,668</u>	<u>9</u>	<u>40,450</u>
Effect on adoption of SFRS(I) 9 (Note 2)	-	(211)	-	(211)
Total comprehensive income for the period				
Loss for the period	-	(94)	-	(94)
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	(12)	(12)
Total other comprehensive income	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(12)</u>
Total comprehensive income for the period	<u>-</u>	<u>(94)</u>	<u>(12)</u>	<u>(106)</u>
Balance at 31 Mar 2018	<u>30,773</u>	<u>9,363</u>	<u>(3)</u>	<u>40,133</u>

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

Share capital	Number of shares	\$'000
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2018 and 31 Mar 2018	<u>113,526,467</u>	<u>30,773</u>

There was no movement in the issued and paid-up capital of the Company since 31 December 2017.

There were no outstanding convertibles as at 31 March 2018 (31/3/2017: Nil).

The Company did not hold any treasury shares as at 31 March 2018 (31/3/2017: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the three months ended 31 March 2018.



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

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the first quarter ended 31 March 2018 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
16 April 2018

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

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

2 **AUDIT**

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

3 **AUDITORS' REPORT**

Not applicable

4 **ACCOUNTING POLICIES**

The Group's financial statements for the financial year ending 31 December 2018 is prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") issued by the Accounting Standards Council ("ASC") and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Other than the adoption of the new framework and the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2017.

5 **CHANGES IN ACCOUNTING POLICIES**

In adopting the new SFRS(I) framework with effect from 1 January 2018, the Group is required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*.



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5 CHANGES IN ACCOUNTING POLICIES (cont'd)

In addition, 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 2018:

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to SFRS(I) *Clarifications to SFRS(I) 15*
- Amendments to SFRS(I) 1-28 *Measuring an Associate or Joint Venture at Fair Value*
- Amendments to SFRS(I) 1-40 *Transfers of Investment Property*
- Amendments to SFRS(I) 1 *Deletion of short-term exemptions for first-time adopters*

Except for SFRS(I) 1 and SFRS(I) 9, the adoption of the above new SFRS(I)s, amendments and interpretations of SFRS(I)s is assessed to have no material impact to the results and financial position of the Group and of the Company for the year ending 31 December 2018.

Please refer to the Statements of Changes in Equity for the Group and for the Company on pages 13 and 14 for further details on the quantum of the respective adjustments made in relation to SFRS(I) 1 and SFRS(I) 9.

6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>	
	<u>3 months ended 31 Mar</u>	
	<u>2018</u>	<u>2017</u>
Earnings Per Ordinary Share		
(based on consolidated net profit attributable to owners)		
- on weighted average number of ordinary shares on issue (cents)	0.03	0.03
- on a fully diluted basis (cents)	0.03	0.03

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.

7 NET ASSET VALUE PER SHARE

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2018</u>	<u>31 Dec 2017</u>	<u>31 Mar 2018</u>	<u>31 Dec 2017</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	45.14	45.48	35.35	35.63

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



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8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

1Q 2018 vs 1Q 2017

	Group		Increase (Decrease)	
	1Q 2018	1Q 2017	\$'000	%
Fish	9,468	9,267	201	2.2
Accessories	9,526	9,470	56	0.6
Plastics	2,616	2,838	(222)	(7.8)
	21,610	21,575	35	0.2

In 1st quarter of 2018, our ornamental fish and accessories activities continued to be our core business segments, which together accounted for 87.9% of the total revenue. Our overall revenue of \$21.6 million for the first quarter ended 31 March 2018 was comparable to that of its corresponding period in 2017.

On a geographical basis, both revenue from Singapore and overseas remained relatively consistent in the current quarter, comparable to that of the corresponding period in 2017.

Fish

Our Dragon Fish sales continue to grow in tandem with the other ornamental fish revenue in the current quarter. We have since strived to gradually increase our export of ornamental fish by diversifying to more customers and more countries around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia, which have given rise to the improved ornamental fish revenue. Coupled with the sales generated from our newly incorporated subsidiary in the Hainan Province (China), which deals in the farming of antibiotic-free edible fish, we saw an increase in revenue contribution during the current quarter from this business segment, which was approximately \$0.2 million or 2.2% higher than its corresponding period in 2017.

Accessories

Revenue from our accessories business remained relatively consistent in the current quarter, comparable to that of the corresponding period in 2017.

Plastics

Revenue contribution from our plastic activities was affected by keen market competition during the 1st quarter of 2018. We have since been monitoring the payment patterns of our customers and have rejected orders from certain problematic customers which have shown signs of deterioration in their credibility. The above has resulted in the reduction of revenue registered by \$0.2 million or 7.8% in the 1st quarter of 2018 as compared to its corresponding period in 2017.



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

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

1Q 2018 vs 4Q 2017

	Group		Increase	
	1Q	4Q	(Decrease)	
	2018	2017	\$'000	%
	\$'000	\$'000		
Fish	9,468	8,709	759	8.7
Accessories	9,526	10,458	(932)	(8.9)
Plastics	2,616	2,875	(259)	(9.0)
	21,610	22,042	(432)	(2.0)

Although the revenue from our ornamental fish activities registered a growth of \$0.8 million or 8.7% quarter-on-quarter, the decrease in our accessories and plastics revenue by approximately \$0.9 million and \$0.3 million respectively has resulted in the reduction in overall revenue by approximately \$0.4 million or 2.0% in the current quarter as compared to the previous quarter.

Fish

Moving into 1st quarter of 2018, our ornamental fish revenue continued its growth momentum. We saw improvement in Dragon Fish revenue contribution generated from the China market as we managed to sell more quantity of these fish. In addition, our continuous efforts to increase our export of ornamental fish to more countries and new markets around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia have generated higher revenue as compared to the previous quarter.

Accessories

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

Plastics

Revenue from plastics business was affected by keen market competition in the current quarter. Coupled with selective selling to customers with better credit standings as mentioned above, it has resulted in the decrease in revenue registered by \$0.2 million or 9.0% in the current quarter as compared to the previous quarter.



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

(b) **Profitability**

1Q 2018 vs 1Q 2017

	Group		Increase (Decrease)	
	1Q 2018	1Q 2017	\$'000	%
Fish	365	382	(17)	(4.5)
Accessories	310	285	25	8.8
Plastics	178	201	(23)	(11.4)
Unallocated corporate expenses	(689)	(693)	4	0.6
	164	175	(11)	(6.3)

In line with the flat growth in overall revenue contribution, our operating profit remained stable in the 1st quarter of 2018 as compared to its corresponding period in 2017.

Fish

Despite higher revenue registered by the ornamental fish business, the reduction in profitability in the 1st quarter of 2018 as compared to its corresponding period in 2017 was a result of the difference in sales mix. In addition, the initial start-up costs incurred in relation to the Group's second aquaculture farm in the Hainan Province, has constituted to the dip in profitability in the current quarter.

Accessories

The better profit yielded from our accessories activities were in accordance with the consistent revenue in the current quarter as compared to its corresponding period in 2017, as well as the sales of more proprietary brand of innovative products with better margins.

Plastics

The reduction in revenue registered by the plastic activities, coupled with the gradual increase in overall operational costs has affected its probability in the 1st quarter of 2018, as compared to the corresponding period in 2017.

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)**

1Q 2018 vs 4Q 2017

	<u>Group</u>		<u>Increase</u>	
	<u>1Q</u>	<u>4Q</u>	<u>(Decrease)</u>	
	2018	2017	\$'000	%
	\$'000	\$'000		
Fish	365	243	122	50.2
Accessories	310	411	(101)	(24.6)
Plastics	178	246	(68)	(27.6)
Unallocated corporate expenses	(689)	(662)	(27)	(4.1)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss on disposal of an associate	164	238	(74)	(31.1)
	-	(46)	46	
	<hr/>	<hr/>	<hr/>	<hr/>
	164	192	(28)	(14.6)

Fish

The improvement in the operating profit from our ornamental fish by approximately \$0.1 million or 50.2% in the current quarter as compared to the previous quarter was in line with the higher revenue recorded and the better margin yielded from the sales of our self-bred Dragon Fish and our ornamental fish export business, notwithstanding the initial start-up costs incurred in relation the Group's second aquaculture farm in the Hainan Province as mentioned earlier.

Accessories

The shrink in operating profit of our accessories business in the 1st quarter of 2018 as compared to the previous quarter was mainly due to the lower revenue contribution, 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

The profitability of the plastics business was affected by lower revenue contribution, as well as gradual increase in overall operational costs quarter-on-quarter.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.



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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 12 January 2018.

The business landscape continues to be challenging, requiring us to be continually innovative, nimble and agile. Over the years, we have shown ourselves to be resilient, sparing no effort to transform ourselves so as to stay ahead of the competition and to strengthen our business fundamentals. We will continue to focus on innovation to expand our pipeline of compelling products particularly in the areas of filtration, fish nutrition and genetic breeding of unique Dragon Fish. It is also our intention to excel in the sustainable farming of edible fish for the consumer market so as to build our new aquaculture business to be many times bigger than our existing businesses. Barring unforeseen circumstances, the Group will continue to grow its revenue and be profitable in the current financial year.

11 DIVIDEND

No interim dividend for the quarter ended 31 March 2018 is recommended.

12 INTERESTED PERSON TRANSACTIONS

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

Except for guarantee fee amounting to \$9,100 (31/3/2017: \$9,500) paid by the Group and by the company to a major shareholder of the Company for guaranteeing the outstanding payment due from GZQH (a former subsidiary), there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the quarter ended 31 March 2018.

13 SEGMENT INFORMATION

(a) **Business segments**

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



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

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

The Group's activities comprise the following reportable segments:

- (i) Fish - includes fish farming, breeding, distribution and trading of ornamental 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	3 months ended 31 Mar 2018				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	9,468	9,526	2,616	-	21,610
Inter-segment revenue	514	1,274	40	(1,828)	-
Total Revenue	9,982	10,800	2,656	(1,828)	21,610
Results					
EBITDA *	712	455	224	(593)	798
Depreciation and amortisation	(345)	(135)	(45)	-	(525)
Interest expense	(3)	(10)	(1)	(96)	(110)
Interest income	1	-	-	-	1
Profit before tax	365	310	178	(689)	164
Tax expense	(56)	(33)	-	-	(89)
Profit for the period	309	277	178	(689)	75
Net profit margin	3.3%	2.9%	6.8%		0.3%
Assets and Liabilities					
Segment assets	37,474	37,409	4,826	215	79,924
Segment liabilities	4,719	5,623	1,761	16,570	28,673
Other Segment Information					
Expenditures for non-current assets **	62	138	15	-	215
Other non-cash items:					
Bad trade receivables written off	35	4	-	-	39
Gain on disposal of property, plant and equipment	(8)	(4)	-	-	(12)
Allowance for doubtful trade receivables	-	1	-	-	1

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

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



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

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

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

(b) **Geographical segments**

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

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



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

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

Group	Revenue		Segment non-current assets		Segment assets	
	3 months ended 31 Mar		3 months ended 31 Mar		3 months ended 31 Mar	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	5,909	5,890	27,233	23,634	52,805	52,535
Other Asian countries	11,784	12,044	5,838	5,216	27,119	25,752
Europe	2,151	2,168	-	281	-	281
Others	1,766	1,473	-	-	-	-
Total	21,610	21,575	33,071	29,131	79,924	78,568

(c) **Major customers**

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

14 **BREAKDOWN OF REVENUE**

Group	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
3 months ended 31 Mar 2018				
Singapore (including domestic sales & sales to Singapore)	1,279	2,022	2,608	5,909
Overseas (including export to & sales in overseas)	8,189	7,504	8	15,701
Total revenue	9,468	9,526	2,616	21,610
3 months ended 31 Mar 2017				
Singapore	1,090	2,018	2,782	5,890
Overseas	8,177	7,452	56	15,685
Total revenue	9,267	9,470	2,838	21,575

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
16 April 2018