



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

**THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENTS ANNOUNCEMENT**

1(a) **STATEMENT OF PROFIT OR LOSS**  
**FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

		Group			Group		
		3 months ended 30 Sep		Change %	9 months ended 30 Sep		Change %
		2018 \$'000	2017 \$'000		2018 \$'000	2017 \$'000	
Revenue		21,435	22,482	(4.7)	64,994	65,782	(1.2)
Cost of sales		(14,949)	(15,709)	(4.8)	(45,372)	(46,435)	(2.3)
<b>Gross profit</b>		<b>6,486</b>	<b>6,773</b>	<b>(4.2)</b>	<b>19,622</b>	<b>19,347</b>	<b>1.4</b>
Other income	i	613	61	904.9	1,391	131	961.8
		<b>7,099</b>	<b>6,834</b>	<b>3.9</b>	<b>21,013</b>	<b>19,478</b>	<b>7.9</b>
Selling & distribution expenses	ii	(536)	(366)	46.4	(1,650)	(987)	67.2
General & administrative expenses	ii	(6,101)	(6,030)	1.2	(18,266)	(17,634)	3.6
<b>Results from operating activities</b>	iii	<b>462</b>	<b>438</b>	<b>5.5</b>	<b>1,097</b>	<b>857</b>	<b>28.0</b>
Finance income	iv	2	1	100.0	5	4	25.0
Finance costs	iv	(138)	(103)	34.0	(379)	(282)	34.4
		<b>326</b>	<b>336</b>	<b>(3.0)</b>	<b>723</b>	<b>579</b>	<b>24.9</b>
Share of losses of associate		-	(5)	(100.0)	-	(10)	(100.0)
<b>Profit before tax</b>		<b>326</b>	<b>331</b>	<b>(1.5)</b>	<b>723</b>	<b>569</b>	<b>27.1</b>
Tax expense	v	(57)	(66)	(13.6)	(205)	(140)	46.4
<b>Profit for the period</b>		<b>269</b>	<b>265</b>	<b>1.5</b>	<b>518</b>	<b>429</b>	<b>20.7</b>
Profit attributable to:							
<b>Owners of the Company</b>		<b>175</b>	<b>142</b>	<b>23.2</b>	<b>356</b>	<b>203</b>	<b>75.4</b>
Non-controlling interests		94	123	(23.6)	162	226	(28.3)
<b>Profit for the period</b>		<b>269</b>	<b>265</b>	<b>1.5</b>	<b>518</b>	<b>429</b>	<b>20.7</b>
Gross profit margin		30.3%	30.1%		30.2%	29.4%	
Net profit margin		1.3%	1.2%		0.8%	0.7%	
Effective tax rate		17.5%	19.9%		28.4%	25.7%	



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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

	<u>Group</u>			<u>Group</u>		
	<u>3 months ended 30 Sep</u>		<u>Change</u>	<u>9 months ended 30 Sep</u>		<u>Change</u>
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
<b>Profit for the period</b>	269	265	1.5	518	429	20.7
<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	51	32	59.4	283	(80)	453.8
<b>Other comprehensive income for the period, net of tax</b>	51	32	59.4	283	(80)	453.8
<b>Total comprehensive income for the period</b>	320	297	7.7	801	349	129.5
Total comprehensive income attributable to:						
<b>Owners of the Company</b>	<b>188</b>	<b>165</b>	<b>13.9</b>	<b>407</b>	<b>191</b>	<b>113.1</b>
Non-controlling interests	132	132	-	394	158	149.4
<b>Total comprehensive income for the period</b>	320	297	7.7	801	349	129.5

**Notes to Statement of Profit or Loss**

(i) **Other income**

Other income comprises:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Sep</u>		<u>9 months ended 30 Sep</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Gain on disposal of property, plant and equipment	32	31	52	49
Handling income (net)	545	-	1,222	-
Sundry income	36	30	117	82
	613	61	1,391	131

Handling income was derived from the handling of transhipments in relation to our aquaculture business.



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

- (ii) **Selling & distribution expenses** – increased by \$663K or 67.2% (YTD)  
increased by \$170K or 46.4% (3Q 2018)

**General & administrative expenses** – increased by \$632 or 3.6% (YTD)  
increased by \$71K or 1.2% (3Q 2018)

The net increase in operating expenses by approximately \$0.2 million or 3.8% and \$1.3 million or 7.0% in the current quarter and for the nine months ended 30 September 2018 respectively was mainly due to expenses incurred by our newly incorporated subsidiaries in the Hainan Province as well as 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.

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

(iii) **Profit from operations**

This is determined after charging the following:

	Group		Group	
	3 months ended 30 Sep 2018	2017	9 months ended 30 Sep 2018	2017
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	29	33	91	87
- other auditors	4	4	12	11
Non-audit fees				
- other auditors	8	12	15	24
Directors' fees				
- directors of the Company	27	25	79	75
Directors' remuneration				
- directors of the Company	284	284	851	851
- directors of subsidiaries	94	92	280	275
Amortisation of intangible assets	37	6	105	17
Bad trade receivables written off	118	5	179	14
Depreciation of				
- property, plant and equipment	451	427	1,337	1,248
- brooder stocks	57	50	167	145
Property, plant and equipment written off	1	-	8	-
(Write back of allowance for) Allowance for				
- doubtful trade receivables	(33)	85	(31)	216
- inventory obsolescence	-	-	44	-
Operating lease expenses	290	290	910	866
Personnel expenses *	3,862	3,966	11,746	10,780
Exchange loss (gain), net	64	48	(9)	250
Change in fair value less estimated point-of-sale costs of breeder stocks	20	-	30	-

\* Include directors' remuneration.



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

(iv) **Finance income**

**Finance costs**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Sep</b>		<b>9 months ended 30 Sep</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest expense				
- bank loans and overdrafts	127	89	337	245
- bills payable to banks	4	6	19	16
- finance lease liabilities	7	8	23	21
	<u>138</u>	<u>103</u>	<u>379</u>	<u>282</u>
Interest income				
- bank deposits	(2)	(1)	(5)	(4)
Net finance costs	<u>136</u>	<u>102</u>	<u>374</u>	<u>278</u>

The increase in net finance costs by approximately 33.3% and 34.5% in the current quarter and for the nine months ended 30 September 2018 respectively as compared to the corresponding periods 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 periods.

(v) **Tax expense**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Sep</b>		<b>9 months ended 30 Sep</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current tax expense				
- current year	57	66	205	146
- over provision in respect of prior years	-	-	-	(6)
	<u>57</u>	<u>66</u>	<u>205</u>	<u>140</u>

The effective tax rate registered for the current quarter and for the nine months ended 30 September 2018 were higher than the amount obtained by applying the statutory tax rate of 17% on profit before tax mainly due to losses incurred by some entities which cannot be offset against profits earned by other companies within the Group and the varying statutory tax rates of the different countries in which the Group operates. In addition, there were higher profit contributions from entities with a higher tax rate.



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

	Group			Company		
	30 Sep 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 * \$'000	30 Sep 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 * \$'000
<b>Assets</b>						
Property, plant and equipment	9,248	9,599	8,750	4,686	4,948	5,348
Investment property	1,586	1,586	1,586	-	-	-
Intangible assets	3,326	3,351	889	3,259	3,351	889
Brooder stocks	10,265	9,382	8,180	10,265	9,382	8,180
Investments in subsidiaries	-	-	-	4,361	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
<b>Non-current assets</b>	<b>33,472</b>	<b>32,965</b>	<b>28,714</b>	<b>31,618</b>	<b>29,735</b>	<b>26,242</b>
Breeder stocks	100	97	67	100	97	67
Inventories	16,267	15,584	15,453	6,278	6,673	6,667
Trade receivables	17,361	16,992	17,559	9,848	9,528	10,295
Other receivables, deposits and prepayments	3,986	4,872	6,298	974	2,100	3,903
Due from						
- subsidiaries (trade)	-	-	-	7,479	6,849	6,436
- subsidiaries (non-trade)	-	-	-	1,858	2,834	2,843
- associate (trade)	-	-	849	-	-	849
Cash and bank balances	10,238	11,124	8,723	6,326	6,218	5,236
<b>Current assets</b>	<b>47,952</b>	<b>48,669</b>	<b>48,949</b>	<b>32,863</b>	<b>34,299</b>	<b>36,296</b>
<b>Total assets</b>	<b>81,424</b>	<b>81,634</b>	<b>77,663</b>	<b>64,481</b>	<b>64,034</b>	<b>62,538</b>
<b>Equity</b>						
Share capital	30,773	30,773	30,773	30,773	30,773	30,773
Reserves	17,538	18,146	17,772	9,237	9,677	10,518
<b>Equity attributable to owners of the Company</b>	<b>48,311</b>	<b>48,919</b>	<b>48,545</b>	<b>40,010</b>	<b>40,450</b>	<b>41,291</b>
<b>Non-controlling interests</b>	<b>3,110</b>	<b>2,716</b>	<b>1,948</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>51,421</b>	<b>51,635</b>	<b>50,493</b>	<b>40,010</b>	<b>40,450</b>	<b>41,291</b>
<b>Liabilities</b>						
Loans and borrowings	253	246	364	179	144	241
Deferred tax liabilities	57	57	50	-	-	-
<b>Non-current liabilities</b>	<b>310</b>	<b>303</b>	<b>414</b>	<b>179</b>	<b>144</b>	<b>241</b>
Trade payables	6,919	7,347	7,442	2,240	2,348	2,680
Other payables and accruals	4,964	5,990	3,801	3,361	4,437	2,664
Due to						
- subsidiaries (trade)	-	-	-	312	143	144
- subsidiaries (non-trade)	-	-	-	973	688	540
Loans and borrowings	17,441	16,039	15,205	17,199	15,617	14,771
Current tax payable	369	320	308	207	207	207
<b>Current liabilities</b>	<b>29,693</b>	<b>29,696</b>	<b>26,756</b>	<b>24,292</b>	<b>23,440</b>	<b>21,006</b>
<b>Total liabilities</b>	<b>30,003</b>	<b>29,999</b>	<b>27,170</b>	<b>24,471</b>	<b>23,584</b>	<b>21,247</b>
<b>Total equity and liabilities</b>	<b>81,424</b>	<b>81,634</b>	<b>77,663</b>	<b>64,481</b>	<b>64,034</b>	<b>62,538</b>

\* 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)**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2018</b>	<b>31 Dec 2017</b>	<b>30 Sep 2018</b>	<b>31 Dec 2017</b>
Inventory turnover (days)	96	92	74	76
Trade receivables turnover (days)	106	103	140	137
Trade receivables turnover (days) (without GZQH balances)	67	68	68	72
Debt equity ratio	0.58	0.58	0.61	0.58

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

**Notes to Statements of Financial Position**

(1) Intangible assets comprise:

	<b>Group</b>			<b>Company</b>		
	<b>30 Sep 2018</b>	<b>31 Dec 2017</b>	<b>1 Jan 2017</b>	<b>30 Sep 2018</b>	<b>31 Dec 2017</b>	<b>1 Jan 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trademarks/customer acquisition costs/formulation rights	4,051	3,971	1,471	3,971	3,971	1,471
Product listing fees	196	196	196	196	196	196
	<b>4,247</b>	<b>4,167</b>	<b>1,667</b>	<b>4,167</b>	<b>4,167</b>	<b>1,667</b>
Less accumulated amortisation	(921)	(816)	(778)	(908)	(816)	(778)
	<b>3,326</b>	<b>3,351</b>	<b>889</b>	<b>3,259</b>	<b>3,351</b>	<b>889</b>

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.

(2) The increase in brooder stocks as at 30 September 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		
	30 Sep	31 Dec	1 Jan	30 Sep	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	-
Tian Tian Fisheries (Hainan) Co., Ltd (People's Republic of China)	60	60 (Note i)	-	378	-	-
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)	97.25 (Note ii)	90	90	1,357	381	381
				<b>4,361</b>	<b>3,007</b>	<b>2,381</b>

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

# Capital contribution made in April 2017.



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

*Note -*

- (i) In November 2017, the Company incorporated a 60% owned subsidiary, Tian Tian Fisheries (Hainan) Co., Ltd, with a registered capital of Rmb 3 million. The Company had made full capital contribution into this subsidiary in April 2018.
- (ii) During the current quarter, the Company capitalised the outstanding loan amount of approximately \$1.0 million as its investment in P.T. Qian Hu Joe Aquatic Indonesia, which resulted in the increase in effective interest held.
- (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 is determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier. The increase in breeder stocks balance as at 30 September 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		
	30 Sep 2018	31 Dec 2017	1 Jan 2017	30 Sep 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fish	3,161	3,101	2,846	1,931	2,162	2,038
Accessories	12,553	11,954	12,116	4,643	4,763	4,937
Plastics products - raw materials	326	316	285	-	-	-
Plastics products - finished goods	617	559	608	-	-	-
	<u>16,657</u>	<u>15,930</u>	<u>15,855</u>	<u>6,574</u>	<u>6,925</u>	<u>6,975</u>
Less allowance for inventory obsolescence	(390)	(346)	(402)	(296)	(252)	(308)
	<u>16,267</u>	<u>15,584</u>	<u>15,453</u>	<u>6,278</u>	<u>6,673</u>	<u>6,667</u>

The increase in accessories inventory balance as at 30 September 2018 was mainly due to purchases made for orders due for delivery in the 4<sup>th</sup> quarter of 2018.





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

(7) Trade receivables comprise:

	Group			Company		
	30 Sep 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	30 Sep 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Trade receivables	18,790	19,345	19,936	10,844	11,685	12,584
Less allowance for doubtful trade receivables	(1,429)	(2,353)	(2,377)	(996)	(2,157)	(2,289)
	<b>17,361</b>	<b>16,992</b>	<b>17,559</b>	<b>9,848</b>	<b>9,528</b>	<b>10,295</b>

The increase in trade receivables balance as at 30 September 2018 was mainly due to higher credit sales generated in the 3<sup>rd</sup> quarter of 2018. The trade receivables turnover days have remained relatively consistent for both reporting periods.

(8) Other receivables, deposits and prepayments comprise:

	Group			Company		
	30 Sep 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	30 Sep 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Other receivables *	1,391	2,256	2,956	537	1,471	2,827
Deposits	438	306	276	40	39	45
Prepayments	1,123	1,114	1,165	213	170	171
Advances to suppliers	234	526	636	184	420	596
Deposits for purchase of property, plant and equipment	727	632	1,213	-	-	264
Tax recoverable	73	38	52	-	-	-
	<b>3,986</b>	<b>4,872</b>	<b>6,298</b>	<b>974</b>	<b>2,100</b>	<b>3,903</b>

\* Other receivables as at 30 September 2018 consist of the balance of the outstanding amounts due from the purchasers of Kim Kang of approximately \$0.31 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 30 September 2018, the outstanding amounts were reduced by \$2.45 million since 1 January 2017 with the transfer of brooder stocks to the Group as settlement-in-kind (please refer to (2) above).

Other than the reduction in other receivables mentioned above, the lower amount of other receivables, deposits and prepayments as at 30 September 2018 was mainly due to the decrease in advance payment made to suppliers for purchases made.



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

(9) Other payables and accruals comprise:

	Group			Company		
	30 Sep 2018	31 Dec 2017	1 Jan 2017	30 Sep 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued operating expenses	348	359	530	233	260	451
Accrued staff costs	1,649	1,336	1,240	1,204	952	808
Other payables	2,645	3,981	1,655	1,737	3,005	1,292
Advance received from customers	322	314	376	187	220	113
	<u>4,964</u>	<u>5,990</u>	<u>3,801</u>	<u>3,361</u>	<u>4,437</u>	<u>2,664</u>

The decrease in other payables and accruals as at 30 September 2018 was mainly due to settlement made in relation to the acquisition of trademarks and formulation rights of a product amounting to approximately \$1.7 million, which was partially offset by the higher amounts due to non-trade suppliers, as well as the increase in accruals for staff costs.

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

	Group			Company		
	30 Sep 2018	31 Dec 2017	1 Jan 2017	30 Sep 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-current liabilities</b>						
Finance lease liabilities	253	246	364	179	144	241
	<u>253</u>	<u>246</u>	<u>364</u>	<u>179</u>	<u>144</u>	<u>241</u>
<b>Current liabilities</b>						
Term loans						
- short-term (unsecured)	16,850	15,000	14,500	16,850	15,000	14,500
- long-term (secured)	-	65	142	-	-	-
Bills payable to banks (unsecured)	367	766	354	209	532	197
Finance lease liabilities	224	208	209	140	85	74
	<u>17,441</u>	<u>16,039</u>	<u>15,205</u>	<u>17,199</u>	<u>15,617</u>	<u>14,771</u>
Total borrowings	<u>17,694</u>	<u>16,285</u>	<u>15,569</u>	<u>17,378</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 2.40% to 2.95% (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 during the 1<sup>st</sup> quarter of 2018 for the settlement of the acquisition of trademarks and formulation rights of a product made in the 4<sup>th</sup> 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 30 September 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).



**QIAN HU CORPORATION LIMITED**  
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1(c) **STATEMENT OF CASH FLOWS**  
**FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

	Group		Group	
	3 months ended 30 Sep 2018 \$'000	2017 \$'000	9 months ended 30 Sep 2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>				
Profit before tax	326	331	723	569
Adjustments for:				
Bad trade receivables written off	118	5	179	14
Depreciation of				
- property, plant and equipment	451	427	1,337	1,248
- brooder stocks	57	50	167	145
Amortisation of intangible assets	37	6	105	17
Gain on disposal of				
property, plant and equipment	(32)	(31)	(52)	(49)
Property, plant and equipment written off	1	-	8	-
Change in fair value less estimated				
point-of-sale costs of breeder stocks	20	-	30	-
(Write back of allowance for) Allowance for				
- doubtful trade receivables	(33)	85	(31)	216
- inventory obsolescence	-	-	44	-
Share of losses of associate	-	5	-	10
Interest expense	138	103	379	282
Interest income	(2)	(1)	(5)	(4)
<b>Operating profit before working capital changes</b>	1,081	980	2,884	2,448
(Increase) Decrease in:				
Inventories	467	(33)	(677)	(147)
Breeder stocks	(21)	(1)	(33)	(30)
Trade receivables	(824)	(357)	(1,336)	421
Other receivables, deposits and prepayments	211	152	(112)	(544)
Due from associate (trade)	-	11	-	(28)
Increase (Decrease) in:				
Trade payables	(342)	52	(364)	181
Bills payable to banks	(27)	369	(398)	401
Other payables and accruals	799	353	(1,004)	102
<b>Cash generated from (used in) operating activities</b>	1,344	1,526	(1,040)	2,804
Tax paid	(43)	(65)	(184)	(135)
<b>Net cash from (used in) operating activities</b>	1,301	1,461	(1,224)	2,669
<b>Cash flows from investing activities</b>				
Purchase of				
- property, plant and equipment	(235)	(562)	(785)	(1,902)
- intangible asset	-	-	(80)	-
Proceeds from disposal of				
property, plant and equipment	37	42	70	68
Interest received	2	1	5	4
<b>Net cash used in investing activities</b>	(196)	(519)	(790)	(1,830)



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1(c) **STATEMENT OF CASH FLOWS**  
**FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

	Group		Group	
	3 months ended 30 Sep 2018	2017	9 months ended 30 Sep 2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from financing activities</b>				
Drawdown of bank term loans	-	-	2,200	-
Capital contribution from non-controlling interests	-	405	247	405
Repayment of				
- finance lease liabilities	(57)	(68)	(188)	(185)
- bank term loans	(179)	(20)	(418)	(59)
Payment of dividend to				
- owners of the Company	-	-	(227)	-
- non-controlling interests	-	-	(84)	(81)
Interest paid	(135)	(104)	(372)	(283)
<b>Net cash (used in) from financing activities</b>	(371)	213	1,158	(203)
<b>Net increase (decrease) in cash and cash equivalents</b>	734	1,155	(856)	636
Cash and cash equivalents at beginning of period	9,565	8,177	11,124	8,723
Effect of exchange rate changes				
on cash balances held in foreign currencies	(61)	10	(30)	(17)
<b>Cash and cash equivalents at end of period</b>	10,238	9,342	10,238	9,342

**Notes to Statement of Cash Flows**

Despite the increase in trade receivables balance in accordance with higher credit sales generated in the current quarter, **net cash from operating activities** in the 3<sup>rd</sup> quarter of 2018 was a result of lower inventory held, coupled with our ability to better manage our cash flow by extending our terms with our non-trade suppliers.

Notwithstanding the higher profit generated for the nine months ended 30 September 2018, **net cash used in operating activities** was mainly due to funds deployed into inventory purchases, as well as higher trade receivables balance due to higher credit sales generated in the current quarter. In addition, there was 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 farm facilities in Singapore and overseas, as well as the infrastructure construction work for our new aquaculture business.

**Net cash from financing activities** for the nine months ended 30 September 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 bank term loans and finance lease liabilities on a monthly basis, as well as the servicing of interest payments. In addition, there was payment of dividend made to the shareholders of the Company in April 2018.



**QIAN HU CORPORATION LIMITED**  
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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		
<b>Balance at 1 Jan 2017 (FRS)</b>	30,773	18,809	(1,037)	48,545	1,948	50,493
Effect of transition to SFRS(I)s (Note 1)	-	(1,037)	1,037	-	-	-
<b>Balance at 1 Jan 2017 (SFRS(I))</b>	30,773	17,772	-	48,545	1,948	50,493
<b>Total comprehensive income for the year</b>						
Profit for the year	-	330	-	330	220	550
<b>Other comprehensive income</b>						
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	-	330	44	374	165	539
<b>Transactions with owners, recognised directly in equity</b>						
<b>Changes in ownership interests</b>						
Incorporation of subsidiary with non-controlling interests	-	-	-	-	603	603
Total transactions with owners	-	-	-	-	603	603
<b>Balance at 31 Dec 2017</b>	30,773	18,102	44	48,919	2,716	51,635
Effect on adoption of SFRS(I) 9 (Note 2)	-	(788)	-	(788)	-	(788)
<b>Total comprehensive income for the period</b>						
Profit for the period	-	356	-	356	162	518
<b>Other comprehensive income</b>						
Foreign currency translation differences for foreign operations, net of tax	-	-	51	51	232	283
Total other comprehensive income	-	-	51	51	232	283
Total comprehensive income for the period	-	356	51	407	394	801
<b>Transactions with owners, recognised directly in equity</b>						
<b>Distributions to owners</b>						
Payment of first and final dividend	-	(227)	-	(227)	-	(227)
Total transactions with owners	-	(227)	-	(227)	-	(227)
<b>Balance at 30 Sep 2018</b>	30,773	17,443	95	48,311	3,110	51,421

**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.



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

**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.

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 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.

<b>Company</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Translation reserve</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 Jan 2017 (FRS)</b>	30,773	10,537	(19)	41,291
Effect of transition to SFRS(I)s (Note 1)	-	(19)	19	-
<b>Balance at 1 Jan 2017 (SFRS(I))</b>	<b>30,773</b>	<b>10,518</b>	<b>-</b>	<b>41,291</b>
<b>Total comprehensive income for the year</b>				
Loss for the year	-	(850)	-	(850)
<b>Other comprehensive income</b>				
Foreign currency translation differences for foreign operations, net of tax	-	-	9	9
Total other comprehensive income	-	-	9	9
Total comprehensive income for the year	-	(850)	9	(841)
<b>Balance at 31 Dec 2017</b>	<b>30,773</b>	<b>9,668</b>	<b>9</b>	<b>40,450</b>
Effect on adoption of SFRS(I) 9 (Note 2)	-	(401)	-	(401)
<b>Total comprehensive income for the period</b>				
Profit for the period	-	169	-	169
<b>Other comprehensive income</b>				
Foreign currency translation differences for foreign operations, net of tax	-	-	19	19
Total other comprehensive income	-	-	19	19
Total comprehensive income for the period	-	169	19	188
<b>Transactions with owners, recognised directly in equity</b>				
<b>Distributions to owners</b>				
Payment of first and final dividend	-	(227)	-	(227)
Total transactions with owners	-	(227)	-	(227)
<b>Balance at 30 Sep 2018</b>	<b>30,773</b>	<b>9,209</b>	<b>28</b>	<b>40,010</b>



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

	Number of shares	\$'000
<b>Share capital</b>		
<b>Ordinary shares issued and fully paid</b>		
Balance as at 1 Jan 2018 and 30 Sep 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 30 September 2018 (30/9/2017: Nil).

The Company did not hold any treasury shares as at 30 September 2018 (30/9/2017: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the nine months ended 30 September 2018.

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

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the third quarter and nine months ended 30 September 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 October 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



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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*.

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>Group</u>	
	<b>3 months ended 30 Sep</b>		<b>9 months ended 30 Sep</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Earnings Per Ordinary Share (based on consolidated net profit attributable to owners)				
- on weighted average number of ordinary shares on issue (cents)	0.15	0.13	0.31	0.18
- on a fully diluted basis (cents)	0.15	0.13	0.31	0.18





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

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

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

7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2018</u>	<u>31 Dec 2017</u>	<u>30 Sep 2018</u>	<u>31 Dec 2017</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	45.29	45.48	35.24	35.63

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

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

**9 months 2018 vs 9 months 2017**

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>9 months ended 30 Sep</u>		<u>\$'000</u>	<u>%</u>
	<u>2018</u>	<u>2017</u>		
Fish	27,057	26,459	598	2.3
Accessories	29,294	30,478	(1,184)	(3.9)
Plastics	8,643	8,845	(202)	(2.3)
	<u>64,994</u>	<u>65,782</u>	<u>(788)</u>	<u>(1.2)</u>

For the nine months ended 30 September 2018, the fish and accessories activities continued to be our core business segments, which together accounted for approximately 86.7% of the total revenue. Our overall revenue registered of \$65.0 million for the nine months ended 30 September 2018 was approximately \$0.8 million or 1.2% lower than that of its corresponding period in 2017.

On a geographical basis, revenue from Singapore grew marginally by 1.7% while revenue from overseas dipped by approximately 2.3% for the nine months ended 30 September 2018 as compared to its corresponding period in 2017.

**3Q 2018 vs 3Q 2017**

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>3Q 2018</u>	<u>3Q 2017</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	8,621	8,976	(355)	(4.0)
Accessories	9,710	10,440	(730)	(7.0)
Plastics	3,104	3,066	38	1.2
	<u>21,435</u>	<u>22,482</u>	<u>(1,047)</u>	<u>(4.7)</u>



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

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

##### **3Q 2018 vs 3Q 2017 (cont'd)**

Despite marginally higher revenue contribution from our plastics business, our overall revenue decreased by \$1.0 million or 4.7% in the 3<sup>rd</sup> quarter of 2018 as compared to its corresponding period in 2017 mainly due to the reduction in revenue registered by both the fish and accessories segments during the current quarter.

##### **Fish**

With the sales generated from our newly incorporated subsidiaries in the Hainan Province (China), which deal in the farming of antibiotic-free edible fish, 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 has given rise to the positive growth in our fish revenue contribution. The improvement, however, was offset by the following factors, hence, resulting in a reduction in the revenue from this business segment by approximately \$0.4 million or 4.0% in the current quarter as compared to its corresponding period in 2017 :-

- The FIFA World Cup football tournament held in June to July this year has affected the export of our ornamental fish to many countries over the world as it has been the norm that customers do not actively make ornamental fish related purchases during the duration of the tournament; and
- The intense price competition from the sales of Dragon Fish since the beginning of the year has resulted in a continuous decline in its selling price, albeit our concerted marketing efforts to sell more quantity of these fish. This has, to some extent, affected the overall fish revenue contribution in current quarter as compared to its corresponding period in 2017.

##### **Accessories**

Over the past years, with our accessories business being more export-oriented, we managed to leverage on our Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential.

During the 3<sup>rd</sup> quarter of 2018, we saw a dip in revenue contribution from our accessories business by approximately \$0.7 million or 7.0%. 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 unpredictability on the outcome of the on-going trade war during the current quarter.

##### **Plastics**

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



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

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

**3Q 2018 vs 2Q 2018**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>3Q 2018</b>	<b>2Q 2018</b>	<b>\$'000</b>	<b>%</b>
Fish	8,621	8,968	(347)	(3.9)
Accessories	9,710	10,058	(348)	(3.5)
Plastics	3,104	2,923	181	6.2
	<b>21,435</b>	<b>21,949</b>	<b>(514)</b>	<b>(2.3)</b>

Our revenue decreased by approximately \$0.5 million or 2.3% from \$21.9 million in the 2<sup>nd</sup> quarter of 2018 to \$21.4 million in the 3<sup>rd</sup> quarter of 2018 as both our core business segments – fish and accessories – registered reduction in revenue contribution during the current quarter as compared to the previous quarter.

**Fish**

Moving into 3<sup>rd</sup> quarter of 2018, despite the sales generated from our newly incorporated subsidiaries in the Hainan Province (China), we saw a reduction in our fish revenue contribution by approximately \$0.3 million or 3.9% as compared to the previous quarter. This was mainly due to the summer holidays in Europe, which started in June and extended 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. This year, the FIFA World Cup football tournament, which was held in June and July, also constituted to the lower ornamental fish purchases made by customers from many countries over the world.

In addition, the continuous decline in the selling price of the Dragon Fish as mentioned above had, to some extent, affected the overall fish revenue contribution in the current quarter.

**Accessories**

Revenue from our accessories business shrunk by approximately \$0.3 million or 3.5% in the current quarter as compared to the previous quarter. The reduction was mainly due to lower revenue contribution registered by the accessories export activities as a result of 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 unpredictability on the outcome of the on-going trade war during the current quarter.

**Plastics**

With the enlarged customer base and product mix, our revenue contribution from our plastic activities managed to register a steady increase of approximately \$0.2 million or 6.2% in the 3<sup>rd</sup> quarter of 2018 as compared to the previous quarter.



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

(b) **Profitability**

**9 months 2018 vs 9 months 2017**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>9 months ended 30 Sep</b>			
	<b>2018</b>	<b>2017</b>	<b>\$'000</b>	<b>%</b>
Fish	1,223	844	379	44.9
Accessories	1,322	1,070	252	23.6
Plastics	526	713	(187)	(26.2)
Unallocated corporate expenses	(2,348)	(2,058)	(290)	(14.1)
	<b>723</b>	<b>569</b>	<b>154</b>	<b>27.1</b>

Notwithstanding the lower revenue contribution, our operating profit increased by approximately \$0.2 million or 27.1% for the nine months ended 30 September 2018 as compared to its corresponding period in 2017, mainly due to the improvement in profit generated from our core business segments.

**3Q 2018 vs 3Q 2017**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>3Q</b>			
	<b>2018</b>	<b>2017</b>	<b>\$'000</b>	<b>%</b>
Fish	480	439	41	9.3
Accessories	429	353	76	21.5
Plastics	186	290	(104)	(35.9)
Unallocated corporate expenses	(769)	(751)	(18)	(2.4)
	<b>326</b>	<b>331</b>	<b>(5)</b>	<b>(1.5)</b>

**Fish**

Despite a reduction in revenue contribution, as well as the initial start-up costs incurred in relation to the Group's second aquaculture farm in the Hainan Province, the growth in profitability registered by our fish business in the 3<sup>rd</sup> quarter of 2018 as compared to its corresponding period in 2017 was a result of the difference in sales mix, coupled with the reliance and resilience of our ornamental fish export business, which continued to generate respectable profit margins.

**Accessories**

Despite the lower revenue contribution, the better profit yielded from our accessories activities in the 3<sup>rd</sup> quarter of 2018 as compared to its corresponding period in 2017 was primarily due to our conscientious efforts made to capture more markets through the selling of more proprietary brand of innovative products with better margins.

**Plastics**

The consistent revenue registered by the plastic activities, coupled with the gradual increase in overall operational costs has affected its profitability in the 3<sup>rd</sup> quarter of 2018, as compared to its 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)**

**3Q 2018 vs 2Q 2018**

	<b>Group</b>		<b>Increase (Decrease)</b>	
	<b>3Q 2018</b>	<b>2Q 2018</b>	<b>\$'000</b>	<b>%</b>
Fish	480	378	102	27.0
Accessories	429	583	(154)	(26.4)
Plastics	186	162	24	14.8
Unallocated corporate expenses	(769)	(890)	121	13.6
	<b>326</b>	<b>233</b>	<b>93</b>	<b>39.9</b>

**Fish**

As mentioned above, notwithstanding the lower revenue contribution registered by our fish business in the 3<sup>rd</sup> quarter of 2018, the difference in sales mix, coupled with the reliance and resilience of our ornamental fish export business, which continued to generate respectable profit margins, has lifted the profitability of the fish business during the current quarter as compared to its previous quarter.

**Accessories**

The decrease in profitability from our accessories business in the current quarter as compared to the previous quarter was in line with the lower revenue contribution.

**Plastics**

With the higher revenue registered in the current quarter, the profitability of the plastics business increased gradually quarter-on-quarter.

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 12 January 2018.



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### 10 PROSPECTS (cont'd)

The business landscape continues to be challenging, requiring us to be continually innovative, nimble and agile. Over the years, we have shown ourselves to be resilient, sparing no effort to transform ourselves so as to stay ahead of the competition and to strengthen our business fundamentals. We will continue to focus on innovation to expand our pipeline of compelling products particularly in the areas of filtration, fish nutrition and genetic breeding of unique Dragon Fish. It is also our intention to excel in the sustainable farming of edible fish for the 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 30 September 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”).

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

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2018</u>	<u>30 Sep 2017</u>	<u>30 Sep 2018</u>	<u>30 Sep 2017</u>
	\$	\$	\$	\$
Guarantee fee paid to a major shareholder of the Company *	27,000	28,000	27,000	28,000
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

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

Except for the above, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the third quarter and the nine months ended 30 September 2018.



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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	9 months ended 30 Sep 2018				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>Revenue</b>					
External revenue	27,057	29,294	8,643	-	64,994
Inter-segment revenue	1,742	3,615	121	(5,478)	-
<b>Total Revenue</b>	<b>28,799</b>	<b>32,909</b>	<b>8,764</b>	<b>(5,478)</b>	<b>64,994</b>
<b>Results</b>					
EBITDA *	2,262	1,763	694	(2,013)	2,706
Depreciation and amortisation	(1,029)	(413)	(167)	-	(1,609)
Interest expense	(13)	(30)	(1)	(335)	(379)
Interest income	3	2	-	-	5
Profit before tax	1,223	1,322	526	(2,348)	723
Tax expense	(102)	(103)	-	-	(205)
<b>Profit for the period</b>	<b>1,121</b>	<b>1,219</b>	<b>526</b>	<b>(2,348)</b>	<b>518</b>
<b>Net profit margin</b>	<b>4.1%</b>	<b>4.2%</b>	<b>6.1%</b>		<b>0.8%</b>
<b>Assets and Liabilities</b>					
Segment assets	38,892	36,931	5,154	447	81,424
Segment liabilities	5,546	5,046	2,137	17,274	30,003
<b>Other Segment Information</b>					
Expenditures for non-current assets **	183	458	433	-	1,074
Other non-cash items:					
Bad trade receivables written off	179	-	-	-	179
Gain on disposal of property, plant and equipment	(27)	(20)	(5)	-	(52)
Property, plant and equipment written off	-	8	-	-	8
(Write back of allowance for)					
- doubtful trade receivables	(55)	24	-	-	(31)
- inventory obsolescence	-	44	-	-	44
Change in fair value less estimated point-of-sale costs of breeder stocks					
	30	-	-	-	30

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

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



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

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

Group	9 months ended 30 Sep 2017				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>Revenue</b>					
External revenue	26,459	30,478	8,845	-	65,782
Inter-segment revenue	1,351	3,639	94	(5,084)	-
<b>Total Revenue</b>	<b>27,810</b>	<b>34,117</b>	<b>8,939</b>	<b>(5,084)</b>	<b>65,782</b>
<b>Results</b>					
EBITDA *	1,615	1,607	863	(1,818)	2,267
Depreciation and amortisation	(906)	(357)	(147)	-	(1,410)
Interest expense	(12)	(27)	(3)	(240)	(282)
Interest income	3	1	-	-	4
	700	1,224	713	(2,058)	579
Share of losses of associate	-	(10)	-	-	(10)
Profit before tax	700	1,214	713	(2,058)	569
Tax expense	(88)	(52)	-	-	(140)
<b>Profit for the period</b>	<b>612</b>	<b>1,162</b>	<b>713</b>	<b>(2,058)</b>	<b>429</b>
<b>Net profit margin</b>	<b>2.3%</b>	<b>3.8%</b>	<b>8.1%</b>		<b>0.7%</b>
<b>Assets and Liabilities</b>					
Segment assets	34,800	38,179	5,024	950	78,953
Investment in associate	-	267	-	-	267
Segment liabilities	4,559	6,016	2,125	15,005	27,705
<b>Other Segment Information</b>					
Expenditures for non-current assets **	1,371	361	299	-	2,031
Other non-cash items:					
Bad trade receivables written off	7	7	-	-	14
(Gain) Loss on disposal of property, plant and equipment	(28)	5	(26)	-	(49)
Allowance for doubtful trade receivables	76	140	-	-	216

(b) **Geographical segments**

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

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





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

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

Group	Revenue		Segment non-current assets		Segment assets	
	9 months ended 30 Sep		9 months ended 30 Sep		9 months ended 30 Sep	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	18,698	18,378	27,939	24,379	53,770	52,137
Other Asian countries	34,498	36,531	5,533	5,647	27,654	26,549
Europe	6,205	6,276	-	267	-	267
Others	5,593	4,597	-	-	-	-
<b>Total</b>	<b>64,994</b>	<b>65,782</b>	<b>33,472</b>	<b>30,293</b>	<b>81,424</b>	<b>78,953</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	Accessories	Plastics	Total
	\$'000	\$'000	\$'000	\$'000
<b>3Q 2018</b>				
Singapore (including domestic sales & sales to Singapore)	1,197	2,381	2,980	6,558
Overseas (including export to & sales in overseas)	7,424	7,329	124	14,877
<b>Total revenue</b>	<b>8,621</b>	<b>9,710</b>	<b>3,104</b>	<b>21,435</b>
<b>3Q 2017</b>				
Singapore	1,351	2,294	2,917	6,562
Overseas	7,625	8,146	149	15,920
<b>Total revenue</b>	<b>8,976</b>	<b>10,440</b>	<b>3,066</b>	<b>22,482</b>
<b>9 months ended 30 Sep 2018</b>				
Singapore (including domestic sales & sales to Singapore)	3,652	6,707	8,339	18,698
Overseas (including export to & sales in overseas)	23,405	22,587	304	46,296
<b>Total revenue</b>	<b>27,057</b>	<b>29,294</b>	<b>8,643</b>	<b>64,994</b>
<b>9 months ended 30 Sep 2017</b>				
Singapore	3,453	6,401	8,524	18,378
Overseas	23,006	24,077	321	47,404
<b>Total revenue</b>	<b>26,459</b>	<b>30,478</b>	<b>8,845</b>	<b>65,782</b>

**BY ORDER OF THE BOARD**

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