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

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

TABLE OF CONTENTS

1(a)	STATEMENT OF PROFIT OR LOSS	1
	STATEMENT OF COMPREHENSIVE INCOME	2
1(b)	STATEMENTS OF FINANCIAL POSITION	6
1(c)	STATEMENT OF CASH FLOWS	14
1(d)	STATEMENTS OF CHANGES IN EQUITY	17
2	AUDIT	19
3	AUDITORS' REPORT	19
4	ACCOUNTING POLICIES	19
5	CHANGES IN ACCOUNTING POLICIES	19
6	EARNINGS PER ORDINARY SHARE	20
7	NET ASSET VALUE PER SHARE	20
8	REVIEW OF GROUP PERFORMANCE	20
9	VARIANCE FROM PROSPECT STATEMENT	25
10	PROSPECTS	25
11	RISK FACTORS AND RISK MANAGEMENT	27
12	DIVIDEND	32
13	INTERESTED PERSON TRANSACTIONS	33
14	SEGMENT INFORMATION	33
15	BREAKDOWN OF REVENUE	36
16	REVENUE AND PROFIT CONTRIBUTION BY QUARTER	37
17	CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS	37
18	PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO THE DIRECTORS, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDERS	37

QIAN HU CORPORATION LIMITED
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FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) STATEMENT OF PROFIT OR LOSS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group			Group		
		3 months ended 31 Dec			Financial year ended 31 Dec		
		2019	**2018**	**Change**	**2019**	**2018**	**Change**
		$'000	$'000	%	$'000	$'000	%
Revenue		19,609	20,673	(5.1)	76,915	85,667	(10.2)
Cost of sales		(13,384)	(14,253)	(6.1)	(53,404)	(59,625)	(10.4)
Gross profit		6,225	6,420	(3.0)	23,511	26,042	(9.7)
Other income	i	300	246	22.0	3,632	1,637	121.9
		6,525	6,666	(2.1)	27,143	27,679	(1.9)
Selling & distribution expenses	ii	(621)	(546)	13.7	(2,480)	(2,196)	12.9
General & administrative expenses	ii	(5,546)	(5,810)	(4.5)	(23,126)	(24,107)	(4.1)
Reversal of (Impairment loss) on trade receivables		77	(127)	160.6	52	(96)	154.2
Results from operating activities	iii	435	183	137.7	1,589	1,280	24.1
Finance income	iv	15	3	400.0	56	8	600.0
Finance costs	iv	(134)	(134)	-	(586)	(513)	14.2
Profit before tax		316	52	507.7	1,059	775	36.6
Tax credit (expense)	v	25	(2)	NM	(115)	(207)	(44.4)
Profit for the period/year		341	50	582.0	944	568	66.2
Profit attributable to:							
Owners of the Company		**346**	**46**	**652.2**	**920**	**402**	**128.9**
Non-controlling interests		(5)	4	(225.0)	24	166	(85.5)
Profit for the period/year		341	50	582.0	944	568	66.2
Gross profit margin		31.7%	31.1%		30.6%	30.4%	
Net profit margin		1.7%	0.2%		1.2%	0.7%	
Effective tax rate					7.4%	25.9%	
Return on equity					1.9%	0.8%	

NM: Not meaningful

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group			Group		
	3 months ended 31 Dec			Financial year ended 31 Dec		
	2019	2018	Change	2019	2018	Change
	$'000	$'000	%	$'000	$'000	%
Profit for the period/year	341	50	582.0	944	568	66.2
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations, net of tax	(29)	(902)	(96.8)	363	(619)	158.6
Other comprehensive income for the period/year, net of tax	(29)	(902)	(96.8)	363	(619)	158.6
Total comprehensive income for the period/year	312	(852)	136.6	1,307	(51)	NM
Total comprehensive income attributable to:						
Owners of the Company	**338**	**84**	**302.4**	**1,160**	**491**	**136.3**
Non-controlling interests	(26)	(936)	(97.2)	147	(542)	127.1
Total comprehensive income for the period/year	312	(852)	136.6	1,307	(51)	NM

Notes to Statement of Profit or Loss

(i) Other income

Other income comprises:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Gain (Loss) on disposal of				
- property, plant and equipment	-	6	(7)	58
- investment property	-	(25)	-	(25)
- a subsidiary	-	66	-	66
Handling income (net)	268	168	3,533	1,390
Sundry income	32	31	106	148
	300	246	3,632	1,637

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

Gain on disposal of a subsidiary of approximately $66K arose from the disposal of the Group's entire equity interest in Shanghai Qian Hu Aquarium & Pets Co., Ltd ("SHQH") during the 4th quarter of 2018.

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

(ii) **Selling & distribution expenses** – increased by \$284K or 12.9% (YTD)
increased by \$75K or 13.7% (4Q 2019)

General & administrative expenses – decreased by \$981K or 4.1% (YTD)
decreased by \$264K or 4.5% (4Q 2019)

With the disposal of the Group's entire equity interest in Shanghai Qian Hu Aquarium and Pets Co., Ltd ("SHQH") in the 4th quarter of 2018, its operating expenses decreased accordingly for the financial year ended 31 December 2019 as compared to the corresponding period in 2018. The reduction was partially offset by higher personnel expenses as a result of the increase in headcount and annual salary revision, coupled with the expenses incurred by the newly acquired subsidiary in Guangzhou in December 2019. In addition, there were more expenses incurred to enhance our marketing efforts, including the participation in trade shows to promote and showcase our products.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	32	29	123	120
- other auditors	6	5	23	17
Non-audit fees				
- other auditors	12	7	36	22
Directors' fees				
- directors of the Company	28	29	108	108
Directors' remuneration				
- directors of the Company	215	284	859	1,135
- directors of subsidiaries	117	92	401	372
Amortisation of intangible assets	37	37	149	142
Depreciation of				
- property, plant and equipment	476	462	1,915	1,799
- right-of-use assets	183	-	766	-
- brooder stocks	60	59	240	226
Property, plant and equipment written off	-	-	2	8
(Write back of) Allowance for inventory obsolescence	(24)	(20)	17	24
Operating lease expenses	22	253	219	1,163
Personnel expenses *	3,168	3,228	14,871	14,974
Exchange loss, net	248	365	41	356
Change in fair value less estimated point-of-sale costs of breeder stocks	-	-	-	30

* Include directors' remuneration.

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

(iii) **Profit from operations (cont'd)**

The increase in depreciation charge during the current quarter and for the financial year ended 31 December 2019 as compared to its corresponding periods in 2018 was mainly due to additional depreciation charge incurred upon the recognition of the right-of-use assets as a result of the adoption of the new Singapore Financial Reporting Standards (International) – SFRS(I) 16 *Leases*. Correspondingly, there was a decrease in operating lease expenses during the current reporting periods. (Please refer to page 7 for more details)

(iv) **Finance income**
Finance costs

	Group		**Group**	
	3 months ended 31 Dec		**Financial year ended 31 Dec**	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Interest expense				
- bank loans and overdrafts	112	124	506	461
- bills payable to banks	4	3	15	22
- lease liabilities	18	7	65	30
	134	134	586	513
Interest income				
- bank deposits	(15)	(3)	(56)	(8)
Net finance costs	119	131	530	505

The increase in total interest expense by approximately 14.2% for the financial year ended 31 December 2019 as compared to the corresponding period in 2018 was mainly due to higher interest rates charged by financial institutions during the current reporting periods.

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

The increase in interest income was in line with the increase in fixed deposits placed during the current reporting periods.

<u>Notes to Statement of Profit or Loss (cont'd)</u>

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

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Current tax expense				
- current year	(32)	8	83	213
- under provision in respect of prior year	7	6	7	6
Deferred tax				
- origination and reversal of temporary differences	(30)	(12)	(5)	(12)
- under provision in respect of prior year	30	-	30	-
	(25)	2	115	207

The effective tax rate registered for the year ended 31 December 2019 was lower than the amount obtained by applying the statutory tax rate of 17% on profit before tax mainly due to tax incentives utilised by the Group during the financial year.

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

	Note	Group		Company	
		31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
		$	$	$	$
Assets					
Property, plant and equipment	i	11,257,829	9,535,743	4,217,726	4,488,095
Intangible assets	ii	7,186,476	3,288,713	3,106,713	3,228,713
Brooder stocks	iii	10,280,387	10,520,663	10,280,387	10,520,663
Investments in subsidiaries	iv	-	-	3,902,070	3,888,402
Trade and other receivables	v	-	8,998,265	-	8,998,265
Non-current assets		28,724,692	32,343,384	21,506,896	31,124,138
Breeder stocks	vi	119,730	121,260	119,730	121,260
Inventories	vii	18,245,000	15,863,663	5,592,786	6,646,226
Trade receivables	viii	15,757,241	16,543,561	8,303,395	10,321,681
Other receivables, deposits and prepayments	ix	2,938,676	3,444,150	1,238,261	1,866,870
Due from					
- subsidiaries (trade)	v	-	-	15,580,094	6,825,763
- subsidiaries (non-trade)		-	-	3,042,778	1,857,548
Fixed deposits		2,095,252	683,275	678,357	683,275
Cash and bank balances		11,689,132	10,808,138	6,822,806	4,990,209
Current assets		50,845,031	47,464,047	41,378,207	33,312,832
Total assets		79,569,723	79,807,431	62,885,103	64,436,970
Equity					
Share capital	x	30,772,788	30,772,788	30,772,788	30,772,788
Reserves		18,621,143	17,688,335	9,188,585	9,268,764
Equity attributable to owners of the Company		49,393,931	48,461,123	39,961,373	40,041,552
Non-controlling interests		2,493,407	2,346,476	-	-
Total equity		51,887,338	50,807,599	39,961,373	40,041,552
Liabilities					
Loans and borrowings	xi	1,500,419	215,515	209,313	148,246
Deferred tax liabilities		70,595	45,595	-	-
Non-current liabilities		1,571,014	261,110	209,313	148,246
Trade payables	xii	4,847,370	7,177,536	2,042,827	3,029,951
Other payables and accruals	xiii	4,645,436	3,880,274	3,502,722	2,768,216
Due to					
- subsidiaries (trade)		-	-	408,948	249,541
- subsidiaries (non-trade)		-	-	1,245,164	785,646
Loans and borrowings	xi	16,307,349	17,330,590	15,307,299	17,206,361
Current tax payable		311,216	350,322	207,457	207,457
Current liabilities		26,111,371	28,738,722	22,714,417	24,247,172
Total liabilities		27,682,385	28,999,832	22,923,730	24,395,418
Total equity and liabilities		79,569,723	79,807,431	62,885,103	64,436,970

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

	Group		Company	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Inventory turnover (days)	117	97	86	77
Trade receivables turnover (days)	75	103	81	145
Debt equity ratio	0.53	0.57	0.57	0.61

Note - With the acquisition of Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") in December 2019, the Group's and the Company's trade balances with GZQH have been reclassified as related company balances. Accordingly, it has resulted in a lower trade receivables balance and turnover days as at 31 December 2019.

On the other hand, the Group's inventory balance and its inventory turnover days have increased upon the acquisition of GZQH.

Notes to Statements of Financial Position

(i) Property, plant and equipment

The increase in property, plant and equipment during the financial year was mainly due to:-

- capital expenditure incurred in relation to our new breeding farms located in Thailand, coupled with on-going enhancements to farm facilities in Singapore and overseas, as well as the infrastructure construction work for our new aquaculture business; and

- inclusion of right-of-use (ROU) assets following the adoption of the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 *Leases*, which took effect on 1 January 2019, using the modified retrospective approach.

  SFRS(I) 16 introduces a single, on-balance sheet lessee accounting model. The rationale of the change is to better reflect the economic substance of lease transactions. It requires a lessee to recognise a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

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

  The ROU assets as at 31 December 2019 were mainly related to leases of the offices, warehouses, factories, retail spaces and farm facilities occupied by the Group in the various locations. Accordingly, there was a corresponding increase in lease liabilities (included in loans and borrowings) of approximately $2.3 million as at 31 December 2019.

The above increase was, however, partially offset by the depreciation charge on the property, plant and equipment during the financial year.

Notes to Statements of Financial Position (cont'd)

(ii) **Intangible assets**

	Group		Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	$	$	$	$
Trademarks/customer acquisition costs/formulation rights	4,051,497	4,051,497	3,971,497	3,971,497
Product listing fees	196,153	196,153	196,153	196,153
Goodwill on consolidation	4,046,430	-	-	-
	8,294,080	4,247,650	4,167,650	4,167,650
Less accumulated amortisation	(1,107,604)	(958,937)	(1,060,937)	(938,937)
	7,186,476	3,288,713	3,106,713	3,228,713

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.

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired. The goodwill balance is subject to annual impairment testing.

(iii) **Brooder stocks**

	Group and Company	
	31 Dec 2019	31 Dec 2018
	$	$
Cost		
Balance as at 1 Jan	12,015,000	10,650,000
Additions during the year	-	1,365,000
Balance as at 31 Dec	12,015,000	12,015,000
Accumulated depreciation		
Balance as at 1 Jan	1,494,337	1,267,982
Depreciation charge for the year	240,276	226,355
Balance as at 31 Dec	1,734,613	1,494,337
Net carrying value		
Balance as at 31 Dec	10,280,387	10,520,663

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

Notes to Statements of Financial Position (cont'd)

(iii) **Brooder stocks (cont'd)**

The increase in brooder stocks in FY 2018 was related to brooder stocks transferred to the Group as final 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.

(iv) **Investments in subsidiaries**

The details of subsidiaries are as follows:

Name of subsidiary	**Effective equity interest held by the Group**		**Cost of investment by the Company**	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
	%	%	$	$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	171,951	171,951
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Qian Hu Development Sdn Bhd (Malaysia)	100	100	16,000	16,000
Beijing Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu OF Feed Co., Ltd (People's Republic of China)	100	100	126,170	126,170
Guangzhou Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	69,000	69,000
Qian Hu Aquaculture (Hainan) Co., Ltd (People's Republic of China)	100	100	1,240,393	1,240,393
Tian Tian Fisheries (Hainan) Co., Ltd (People's Republic of China)	60	60	377,683	377,683
Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (People's Republic of China)	100	-	13,668	-
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited and its subsidiary: (Thailand)	60	60	121,554	121,554
- Advance Aquatic Co., Ltd (Thailand)	60	60	-	-
	Balance carried forward		2,513,555	2,499,887

Notes to Statements of Financial Position (cont'd)

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

Name of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	%	%	$	$
	Balance brought forward		2,513,555	2,499,887
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
P.T. Qian Hu Joe Aquatic Indonesia (Indonesia)	97.25	97.25	1,357,516	1,357,516
			3,902,070	3,888,402

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

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

(v) **Trade and other receivables**

Trade and other receivables (non-current) as at 31 December 2018 was related to trade balances due from GZQH. Following its acquisition in FY 2019, the outstanding balance has been reclassified to amount due from subsidiaries as at 31 December 2019.

Of the total amount due from GZQH, the recoverability of approximately $7.2 million (31/12/2018: $7.3 million) is guaranteed by a major shareholder of the Company and a director of the Company.

(vi) **Breeder stocks**

	Group and Company	
	31 Dec 2019	31 Dec 2018
	$	$
Balance as at 1 Jan	121,260	96,750
Change in fair value less estimated point-of-sale costs	-	(30,000)
Decreases due to sales	(483,300)	(865,140)
Net increase due to births	481,770	919,650
Balance as at 31 Dec	119,730	121,260

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 marginal decrease in breeder stocks balance as at 31 December 2019 was mainly due to difference in quantity, valuation and product mix in relation to the breeder stocks held as at both reporting dates.

Notes to Statements of Financial Position (cont'd)

(vii) Inventories

	Group		Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	$	$	$	$
Fish	2,477,616	3,295,601	1,373,174	1,871,894
Accessories	15,213,628	12,013,991	4,511,612	5,049,832
Plastics products - raw materials	267,247	308,458	-	-
Plastics products - finished goods	672,299	614,903	-	-
	18,630,790	16,232,953	5,884,786	6,921,726
Less allowance for inventory obsolescence	(385,790)	(369,290)	(292,000)	(275,500)
	18,245,000	15,863,663	5,592,786	6,646,226

The decrease in fish inventory as at 31 December 2019 was mainly a result of downsizing of our Dragon Fish activities, while the increase in accessories inventory balance was due to the inclusion of inventory balance from GZQH, following its acquisition in FY 2019.

(viii) Trade receivables

	Group		Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	$	$	$	$
Trade receivables	16,695,231	18,027,466	8,894,395	11,418,648
Less allowance for impairment loss	(937,990)	(1,483,905)	(591,000)	(1,096,967)
	15,757,241	16,543,561	8,303,395	10,321,681

The decrease in trade receivables as at 31 December 2019 was mainly due to the reclassification of the Group's and the Company's current trade balances due from GZQH to related company balances amounting to $1.0 million, following its acquisition in FY 2019.

(ix) Other receivables, deposits and prepayments

	Group		Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	$	$	$	$
Other receivables	1,094,759	1,569,898	602,245	1,390,345
Deposits	336,471	342,966	61,181	56,697
Prepayments	902,808	933,785	218,132	165,003
Advances to suppliers	521,357	304,498	356,703	254,825
Deposits for purchase of property, plant and equipment	-	222,666	-	-
Tax recoverable	83,281	70,337	-	-
	2,938,676	3,444,150	1,238,261	1,866,870

Notes to Statements of Financial Position (cont'd)

(ix) **Other receivables, deposits and prepayments (cont'd)**

The decrease in other receivables, deposits and prepayments balance as at 31 December 2019 was mainly due to:-

- decrease in deposits for purchase of property, plant and equipment, which was mainly in relation to the infrastructure construction work undertaken by our Hainan and Thailand subsidiaries. The amount has been capitalised as property, plant and equipment upon the completion of the construction work; and
- decrease in other receivables as a result of the receipt of proceeds arising from the disposal of SHQH in FY 2018.

(x) **Share capital**

	Number of shares	$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2019 and 31 Dec 2019	113,526,467	30,772,788

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

There were no outstanding convertibles as at 31 December 2019 (31/12/2018: Nil).

The Company did not hold any treasury shares as at 31 December 2019 (31/12/2018: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the financial year ended 31 December 2019.

(xi) **Loans and borrowings**

	Group		Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	$	$	$	$
Non-current liabilities				
Lease liabilities (2018: Finance lease liabilities)	1,500,419	215,515	209,313	148,246
	1,500,419	215,515	209,313	148,246
Current liabilities				
Term loans				
Short-term loans (unsecured)	15,000,000	16,700,000	15,000,000	16,700,000
Bills payable to banks (unsecured)	184,712	407,351	106,616	370,630
Lease liabilities (2018: Finance lease liabilities)	1,122,637	223,239	200,683	135,731
	16,307,349	17,330,590	15,307,299	17,206,361
Total borrowings	17,807,768	17,546,105	15,516,612	17,354,607

Notes to Statements of Financial Position (cont'd)

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

The increase in loans and borrowings was mainly due to the significant increase in lease liabilities as a result of the adoption of the new SFRS(I) 16 *Leases*, which took effect on 1 January 2019. (Please refer to page 7 for more details)

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2018 and 2019.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 2.71% to 2.95% (31/12/2018: 2.53% to 3.00%) per annum and are repayable within the next 12 months from the reporting date.

The weighted average effective interest rates relating to bills payable to banks of the Group and of the Company are 5.03% (31/12/2018: 5.22%) and 5.25% (31/12/2018: 5.25%) per annum respectively. These bills mature within one to four months from the reporting date.

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

(xii) **Trade payables**

The reduction in trade payables as at 31 December 2019 was due to prompt settlement so as to secure better trade discounts with our regular suppliers for purchases made.

(xiii) **Other payables and accruals**

	Group		**Company**	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
	$	$	$	$
Accrued operating expenses	605,223	439,799	438,773	322,934
Accrued staff costs	2,148,702	1,482,211	1,773,684	1,054,961
Other payables	1,495,611	1,681,913	1,112,018	1,149,306
Advance received from customers	395,900	276,351	178,247	241,015
	4,645,436	3,880,274	3,502,722	2,768,216

The increase in other payables and accruals as at 31 December 2019 was mainly due to the increase in accruals for staff costs and operating expenses. This was partially offset by the reduction in payments due to non-trade suppliers.

1(c) **STATEMENT OF CASH FLOWS**
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
Profit before tax	316,246	53,249	1,059,076	775,750
Adjustments for:				
Depreciation of				
- property, plant and equipment	475,534	462,172	1,914,361	1,799,211
- right-of-use assets	182,803	-	766,056	-
- brooder stocks	60,070	59,019	240,276	226,355
Amortisation of intangible assets	37,167	37,167	148,667	142,000
(Gain) Loss on disposal of				
- property, plant and equipment	(96)	(5,940)	7,275	(58,191)
- investment property	-	24,801	-	24,801
- a subsidiary	-	(65,618)	-	(65,618)
Property, plant and equipment written off	-	133	2,084	8,255
Change in fair value less estimated point-of-sale costs of breeder stocks	-	-	-	30,000
(Reversal of) Impairment loss on trade receivables	(76,711)	126,985	(51,653)	95,766
(Write back of) Allowance for inventory obsolescence	(24,000)	(20,000)	16,500	23,500
Interest expense	133,788	134,953	585,885	513,294
Interest income	(14,556)	(2,897)	(55,746)	(7,802)
Operating profit before working capital changes	1,090,245	804,024	4,632,781	3,507,321
(Increase) Decrease in:				
Inventories	380,220	(230,440)	1,521,335	(906,919)
Breeder stocks	690	(21,300)	1,530	(54,510)
Trade receivables	113,905	131,442	459,098	(1,025,174)
Other receivables, deposits and prepayments	233,557	1,168,479	796,259	1,057,144
Increase (Decrease) in:				
Trade payables	(290,128)	829,370	(1,360,139)	466,119
Bills payable to banks	(259,167)	40,701	(222,639)	(357,577)
Other payables and accruals	(887,849)	(954,167)	736,702	(1,958,060)
Cash generated from operating activities	381,473	1,768,109	6,564,927	728,344
Tax paid	(10,784)	(29,290)	(153,625)	(213,299)
Net cash from operating activities	370,689	1,738,819	6,411,302	515,045
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(161,061)	(806,322)	(919,771)	(1,591,484)
- intangible asset	-	-	-	(80,000)
Proceeds from disposal of				
- property, plant and equipment	24	43,150	38,550	113,597
- investment property	-	1,579,200	-	1,579,200
Disposal of a subsidiary, net of cash and cash equivalents (Note ii)	-	(299,219)	-	(299,219)
Acquisition of a subsidiary, net of cash and cash equivalents (Note ii)	137,806	-	137,806	-
Acquisition of additional interest in a subsidiary	-	(614,457)	-	(614,457)
Interest received	14,556	2,897	55,746	7,802
Net cash used in investing activities	(8,675)	(94,751)	(687,669)	(884,561)

1(c) **STATEMENT OF CASH FLOWS**
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2019	2018	2019	2018
	$	$	$	$
Cash flows from financing activities				
Drawdown of bank term loans	-	-	-	2,200,000
Capital contribution from non-controlling interests	-	-	-	238,800
Repayment of				
- lease liabilities	(237,504)	(60,938)	(948,410)	(249,085)
- bank term loans	(1,250,000)	(149,840)	(1,700,000)	(567,520)
Payment of dividends to				
- owners of the Company	-	-	(227,052)	(227,052)
- non-controlling interests	-	(84,200)	-	(168,800)
Interest paid	(137,112)	(131,848)	(586,237)	(504,015)
Net cash (used in) from financing activities	(1,624,616)	(426,826)	(3,461,699)	722,328
Net (decrease) increase in cash and cash equivalents	(1,262,602)	1,217,242	2,261,934	352,812
Cash and cash equivalents at beginning of period/year	15,071,966	10,238,013	11,491,413	11,123,954
Effect of exchange rate changes on cash balances held in foreign currencies	(24,980)	36,158	31,037	14,647
Cash and cash equivalents at end of period/year (Note i)	13,784,384	11,491,413	13,784,384	11,491,413

Notes to Statement of Cash Flows

(i) Cash and cash equivalents

Cash and cash equivalents comprise:

	Group	
	31 Dec 2019	31 Dec 2018
	$	$
Fixed deposits	2,095,252	683,275
Cash and bank balances	11,689,132	10,808,138
	13,784,384	11,491,413

Fixed deposits bear interest at rates ranging from 1.71% to 3.55% (2018: 2.01%) per annum.

Cash and bank balances earn interest at floating rates based on daily bank deposit rates from 0% to 0.1% (2018: 0% to 0.1%) per annum.

Notes to Statement of Cash Flows (cont'd)

(ii) **Acquisition/Disposal of subsidiaries**

The attributable assets and liabilities of the subsidiaries acquired/disposed and the cash flow effect of the respective acquisition and disposal are set out as follows:-

	Group	
	Financial year ended 31 Dec	
	2019	2018
	Acquisition of a subsidiary	Disposal of a subsidiary
	$	$
Property, plant and equipment	1,157,541	36,895
Inventories	3,869,955	1,054,441
Trade and other receivables	2,735,872	728,445
Cash and bank balances	151,474	419,219
Trade and other payables	(11,104,895)	(1,104,618)
Lease liabilities	(842,709)	-
Net (liabilities) assets acquired/disposed	(4,032,762)	1,134,382
Gain on disposal of a subsidiary	-	65,618
Goodwill on acquisition	4,046,430	-
Total consideration paid/received	13,668	1,200,000
Net cash inflow (outflow) arising from acquisition/disposal of subsidiaries		
Purchase consideration (paid) received	(13,668)	1,200,000
Cash and bank balances acquired (disposed)	151,474	(419,219)
Deferred cash settlement	-	(1,080,000)
	137,806	(299,219)

During the financial year, the Company acquired GZQH, a former subsidiary of the Group, from a non-related third party with a cash consideration of $13,668. As GZQH was in a negative net assets position at the effective date of acquisition, there was a goodwill arising on consolidation amounting to approximately $4.05 million.

(iii) Our cash and cash equivalents increased by approximately $2.3 million a year ago.

The improvement in **net cash from operating activities** in FY 2019 as compared to the corresponding period in 2018 was mainly due to lower inventory held and the realisation of receivables into cash during the year. The increase was partially offset by settlement for purchases made with the cash generated from operations.

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

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

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

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

	Attributable to owners of the Company					
Group	**Share capital** $	**Retained earnings** $	**Translation reserve** $	**Total** $	**Non-Controlling interests** $	**Total Equity** $
Balance at 1 Jan 2018	30,772,788	18,101,960	43,720	48,918,468	2,716,178	51,634,646
Effect on adoption of SFRS(I) 9 (Note 1)	-	(722,340)	-	(722,340)	(65,660)	(788,000)
Total comprehensive income for the year						
Profit for the year	-	401,791	-	401,791	166,687	568,478
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	90,256	90,256	(709,529)	(619,273)
Total other comprehensive income	-	-	90,256	90,256	(709,529)	(619,273)
Total comprehensive income for the year	-	401,791	90,256	492,047	(542,842)	(50,795)
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of first and final dividend	-	(227,052)	-	(227,052)	-	(227,052)
Total distributions to owners	-	(227,052)	-	(227,052)	-	(227,052)
Changes in ownership interests						
Incorporation of subsidiary with non-controlling interests	-	-	-	-	238,800	238,800
Total changes in ownership interests	-	-	-	-	238,800	238,800
Total transactions with owners	-	(227,052)	-	(227,052)	238,800	11,748
Balance at 31 Dec 2018	30,772,788	17,554,359	133,976	48,461,123	2,346,476	50,807,599
Total comprehensive income for the year						
Profit for the year	-	919,844	-	919,844	23,896	943,740
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	240,016	240,016	123,035	363,051
Total other comprehensive income	-	-	240,016	240,016	123,035	363,051
Total comprehensive income for the year	-	919,844	240,016	1,159,860	146,931	1,306,791
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of first and final dividend	-	(227,052)	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)	-	(227,052)
Balance at 31 Dec 2019	30,772,788	18,247,151	373,992	49,393,931	2,493,407	51,887,338

Note 1 –
SFRS(I) 9 Financial Instruments which took effect for the financial year ended 31 December 2018 replaced the current ‘incurred loss’ model with a forward-looking expected credit loss (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost or fair value through other comprehensive income (“FVOCI”), except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

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

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

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

Company	**Share capital** $	**Retained earnings** $	**Translation reserve** $	**Total** $
Balance at 1 Jan 2018	30,772,788	9,668,079	9,305	40,450,172
Effect on adoption of SFRS(I) 9 (Note 1)	-	(401,000)	-	(401,000)
Total comprehensive income for the year				
Profit for the year	-	200,765	-	200,765
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	18,667	18,667
Total other comprehensive income	-	-	18,667	18,667
Total comprehensive income for the year	-	200,765	18,667	219,432
Transactions with owners, recognised directly in equity				
Distributions to owners				
Payment of first and final dividend	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)
Balance at 31 Dec 2018	30,772,788	9,240,792	27,972	40,041,552
Total comprehensive income for the year				
Profit for the year	-	113,140	-	113,140
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	33,733	33,733
Total other comprehensive income	-	-	33,733	33,733
Total comprehensive income for the year	-	113,140	33,733	146,873
Transactions with owners, recognised directly in equity				
Distributions to owners				
Payment of first and final dividend	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)
Balance at 31 Dec 2019	30,772,788	9,126,880	61,705	39,961,373

2 **AUDIT**

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

3 **AUDITORS' REPORT**

See attached auditors' report.

4 **ACCOUNTING POLICIES**

Other than the adoption of the new SFRS(I)s, amendments and interpretations of SFRS(I)s as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2018.

5 **CHANGES IN ACCOUNTING POLICIES**

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

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 3 and SFRS(I) 11 *Previously Held Interest in a Joint Operation*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-12 *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement*
- Amendments to SFRS(I) 1-23 *Borrowing Costs Eligible for Capitalisation*
- Amendments to SFRS(I) 1-28 *Long-Term Interests in Associates and Joint Ventures*

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

Please refer to page 7 for further details on the quantum of the adjustments made in relation to SFRS(I) 16.

6 **EARNINGS PER ORDINARY SHARE**

	Group		Group	
	3 months ended 31 Dec		**Financial year ended 31 Dec**	
	2019	**2018**	**2019**	**2018**
Earnings Per Ordinary Share (based on consolidated net profit attributable to owners)				
- on weighted average number of ordinary shares on issue (cents)	0.30	0.04	0.81	0.35
- on a fully diluted basis (cents)	0.30	0.04	0.81	0.35

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**

	Group		Company	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Net asset value per share based on existing issued share capital as at the respective dates (cents)	45.71	44.75	35.20	35.27

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

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

Financial year 2019 vs financial year 2018

	Group			
	Financial year ended 31 Dec			
	2019	**2018**	**Decrease**	
	$'000	$'000	$'000	%
Fish	29,847	34,614	(4,767)	(13.8)
Accessories	35,478	39,095	(3,617)	(9.3)
Plastics	11,590	11,958	(368)	(3.1)
	76,915	85,667	(8,752)	(10.2)

For the year ended 31 December 2019, the fish and accessories activities continued to be our core business segments, which together accounted for approximately 84.9% of the total revenue. Our overall revenue registered of $76.9 million in FY 2019 was approximately $8.8 million or 10.2% lower than that reported in FY 2018.

On a geographical basis, revenue from both Singapore and overseas dipped by approximately 0.5% and 14.3% respectively in FY 2019 as compared to FY 2018.

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

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

4Q 2019 vs 4Q 2018

	Group			
	4Q 2019	**4Q 2018**	**Increase (Decrease)**	
	$'000	$'000	$'000	%
Fish	6,312	7,557	(1,245)	(16.5)
Accessories	10,456	9,801	655	6.7
Plastics	2,841	3,315	(474)	(14.3)
	19,609	20,673	(1,064)	(5.1)

Although the revenue from our accessories activities recorded growth in the 4th quarter of 2019, the reductions in revenue contribution from the fish and plastics segments have resulted in a decrease in our overall revenue registered in the current quarter as compared to its corresponding period in 2018.

Fish
With higher revenue generated from the aquaculture business in the Hainan Province (China), as well as our continuous efforts to increase our export of ornamental fish by diversifying to more customers and more countries around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia, it had given rise to a positive growth in our fish revenue contribution. The improvement, however, was offset by the intense price competition from the sales of Dragon Fish since the previous financial year, which had resulted in a continuous decline in its revenue throughout the year. This had, to some extent, affected the overall fish revenue contribution in the current quarter as compared to its corresponding period in 2018.

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

Accessories
Revenue from our accessories activities resumed its growth momentum in the 4th quarter of 2019 with the completion of the consolidation of our China accessories business. The improvement in accessories revenue during the 4th quarter of 2019 was also a result of the revenue contribution from our newly acquired subsidiary in Guangzhou in December 2019.

Plastics
Revenue from plastics activities registered a decline of $0.5 million or 14.3% in the current quarter as compared to its corresponding period in 2018. This was due to lower sales of plastic products to the consumer sector as a result of the softening of demand from the domestic market during the current quarter. We managed to focus on generating revenue through selling products with sustainable margins instead of entering into price war with competitors.

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

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

4Q 2019 vs 3Q 2019

	Group		Increase (Decrease)	
	4Q 2019	**3Q 2019**		
	$'000	$'000	$'000	%
Fish	6,312	7,538	(1,226)	(16.3)
Accessories	10,456	8,605	1,851	21.5
Plastics	2,841	3,096	(255)	(8.2)
	19,609	19,239	370	1.9

Although the revenue from our fish and plastics activities registered a reduction of $1.2 million and $0.3 million quarter-on-quarter respectively, the increase in our accessories revenue by approximately $1.9 million has resulted in an increase in overall revenue by approximately $0.4 million or 1.9% in the current quarter as compared to the previous quarter.

Fish
Our fish revenue included sales generated from our aquaculture business in Hainan Province, China, which farms antibiotic-free edible fish. As the operation cycle (involving the purchase of edible fish fries and growing them to marketable fingerlings) typically takes place from March to September, the sales derived from this business activity is usually marginal in the 4th quarter of the year, resulting in a dip in revenue contribution in the current quarter as compared to the previous quarter.

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
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. Coupled with the sales generated from our newly acquired subsidiary in Guangzhou, we saw a leap in revenue contribution in the current quarter from this business segment, which was approximately $1.9 million or 21.5% higher than the previous quarter.

Plastics
Revenue from our plastics activities decreased by $0.3 million or 8.2% in the 4th quarter of 2019 as compared to the previous quarter as its revenue contribution was escalated by one-off increase in orders from a major customer in the 3rd quarter of 2019, as well as the softening of demand from the domestic market felt during the current quarter.

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

(b) **Profitability**

Financial year 2019 vs financial year 2018

	Group			
	Financial year ended 31 Dec		Increase (Decrease)	
	2019	2018		
	$'000	$'000	$'000	%
Fish	1,857	1,293	564	43.6
Accessories	1,516	1,769	(253)	(14.3)
Plastics	1,135	762	373	49.0
Unallocated corporate expenses	(3,449)	(3,049)	(400)	(13.1)
	1,059	775	284	36.6

Notwithstanding the lower revenue contribution, our operating profit grew by $0.3 million or 36.6% in FY 2019 as compared to FY 2018. The decline in profitability from our accessories business was offset by considerable improvement in profit generated from our aquaculture and plastics businesses.

4Q 2019 vs 4Q 2018

	Group			
	4Q 2019	4Q 2018	Increase (Decrease)	
	$'000	$'000	$'000	%
Fish	472	70	402	574.3
Accessories	421	447	(26)	(5.8)
Plastics	363	236	127	53.8
Unallocated corporate expenses	(940)	(701)	(239)	(34.1)
	316	52	264	507.7

The noticeable increase in profit contribution from our fish and plastics activities has fuelled the growth in profitability in the 4th quarter of 2019 as compared to its corresponding period in 2018.

Fish

Despite the lower revenue contribution reported in the current quarter, the resilient profit margins and the difference in sales mix recorded in both periods (by focusing more on the aquaculture business while gradually downsizing our Dragon Fish activities) had given rise to the surge in profit contribution from the fish business by approximately $0.4 million in the 4th quarter of 2019 as compared to the corresponding period in 2018.

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

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

4Q 2019 vs 4Q 2018 (cont'd)

Accessories
Although our accessories export business registered higher revenue in the 4th quarter of 2019, the operating profit was marginally lower than that of the corresponding period in 2018. This is mainly due to the difference in sales mix, as well as our on-going efforts to capture more sales, which has affected the profit margin of our accessories business in the current quarter.

Plastics
Despite the lower revenue contribution in the 4th quarter of 2019 registered by the plastic business, the favourable raw material prices, as well as the stable selling prices of our plastic products, had resulted in the improved profit margin in the 4th quarter of 2019, as compared to the corresponding period in 2018.

Unallocated corporate expenses
These were staff costs and corporate/administrative expenses incurred in relation to the overseeing of both the Group's local and overseas operations.

4Q 2019 vs 3Q 2019

	Group			
	4Q 2019	**3Q 2019**	**Increase (Decrease)**	
	$'000	$'000	$'000	%
Fish	472	560	(88)	(15.7)
Accessories	421	345	76	22.0
Plastics	363	299	64	21.4
Unallocated corporate expenses	(940)	(850)	(90)	(10.6)
	316	354	(38)	(10.7)

Fish
The decline in profitability from our fish business in 4th quarter of 2019 as compared to the previous quarter was in line with the lower revenue contribution mainly from our aquaculture business due to reasons as mentioned earlier. In addition, the fixed operating costs incurred in relation to the Dragon Fish business during the current quarter, coupled with its declining profit margins, has constituted to the dip in profitability.

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

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

4Q 2019 vs 3Q 2019 (cont'd)

Accessories
Despite the substantial increase in revenue, the moderate growth in operating profit from our accessories business in the current quarter as compared to the previous quarter was mainly due to our conscientious efforts made to capture more sales of our proprietary brands of innovative products, which had sliced off the profit margin of our accessories business in the current quarter.

In addition, there were initial costs incurred in aligning the business activities of the newly acquired subsidiary in Guangzhou into the operation framework of the Group.

Plastics
Notwithstanding the lower revenue contribution, the increase in operating profit from our plastics activities in the current quarter as compared to the previous quarter was mainly due to better profit yield as a result of favourable raw material prices, along with the difference in sales mix recorded in both quarters.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

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

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

To breed Ornamental Fish of the highest value
Staying abreast of market trends, we are in the process of developing new varieties of Dragon Fish, or Asian Arowana, and a whole new range of ornamental fish using a new genomic technology that we are developing with a team of researchers. We envisage that these new initiatives, which will gain pace in the near future, will improve the profitability of our ornamental fish business in the years to come.

10 **PROSPECTS (cont'd)**

To establish our "Ocean Free" and "OF" brands as the most recognisable amongst Aquarium Accessories brands in Asia

We will focus on building our "Ocean Free" and "OF" brands – the growth drivers for our accessories business segment. Our target is to expand our accessories business to more than 60 cities and countries. The premium brands for aquarium accessories, "Ocean Free" and "OF" continue to develop an exciting pipeline of innovative, proprietary products such as cutting-edge filtration and sterilisation systems as well as a wide range of new-generation aquarium accessories using our HYDROPURE technology, such as our latest OF's 4G Professional Arowana tank with enhanced biological filtration systems, and the Modular Pond Filtration System for Koi. The latter is an integrated system that replaces the conventional pond systems that usually require a sump to be located next to the pond. Instead, our full suite of solutions for ponds includes a series of biological filtrations systems, such as bio-beads and 3DM tetris, before water is further filtered by our big water volume filtration system, Hydra Ginox, and a high-powered UV radiator.

In recent times, we have developed a niche portfolio of accessories specifically for Koi, such as 3DM PH+ for stabilising PH in water, OF Nature Earth (mineral supplements to enhance water quality), specialised lighting to enhance colouration in Koi, and Automatic Pond Feeder.

We also have an early mover advantage with regard to fish nutrition – developing high quality, proprietary formulas that bring out the best in fish.

To be an innovative technology company

R&D remains a critical capability to drive innovation and product development throughout the Group. Our latest efforts have culminated in cutting-edge accessories, such as our latest HYDRA Filtron canister depurators that are powered by our cutting-edge HYDROPURE filtration technology; the "Revoreef" series of marine aquarium accessories, as well as our innovative fish feeds. Meanwhile, our Multi-Tier Automated Water Recirculation Tank Holding System is being replicated in our other export hubs located in Malaysia, Thailand and China, following the successful implementation of the automated system in our Singapore operations. This system has enabled us to reduce water usage while increasing fish handling capacity by as much as 50%. By utilising the same number of workers, we are able to raise productivity significantly. We are also on track for the development of a fish counting device that will monitor our fish inventory more efficiently and expediently.

Jumping on the e-commerce bandwagon to open new marketing channels, we have launched our online flagship store on the T-Mall (天猫) platform in China, which has been seeing healthy orders. We believe that our e-commerce strategy will continue to enhance our brand positioning and accessibility, as well as reinforce our quality assurance to customers.

To produce antibiotic-free, sustainable edible fish for the benefit of our consumers and the environment

Leveraging on our proprietary HYDROPURE filtration technology, and our know-how in fish nutrition and antibiotic-free herbal medication, we have, in FY 2017, successfully commenced operations of our first edible fish farm in the Hainan Province, China – farming and constantly delivering antibiotic-free groupers fingerlings in the Hainan region.

We are also teaming up with researchers in developing yeast-based fish nutrition to boost the immune system of seafood products. With this latest development in fish nutrition, we aim to produce fish feeds that can enhance the growth of the culture species.

10 **PROSPECTS (cont'd)**

Our aquaculture business has also been focusing on intensive farming of new species, expanding into new areas in the aquaculture value chain, as well as conducting trials on new edible products. In the longer-term, it is our intention to become a fully-integrated aquaculture farm that is able to capture the entire value chain of edible fish/seafood from breeding to farming to the table. Currently, we are farming only the fingerlings of edible fish to various marketable sizes. Eventually, we expect to possess brooder stocks of edible fish/seafood for breeding purposes, so that we can build and expand our product offerings to capture additional selling points throughout the product cycle. As such, going forward, we will be exploring synergistic tie-ups to extend our involvement in the supply chain to include hatcheries and grow-out phases.

By focusing on technology, innovation and quality, Qian Hu aspires to be the industry's most value-adding and productive provider of edible fish, ornamental fish and accessories. We also plan to green-label our seafood products, so as to effectively and efficiently reach out to regional and international markets that are increasingly environmentally conscious.

We are confident about the prospects of the edible fish business. By putting in ample effort to execute it correctly, we believe that this business segment may grow to be the Group's largest revenue contributor. We envisage that the aquaculture business will continue to contribute positively to our Group's results in FY 2020.

The business landscape continues to be challenging, requiring us to be continually innovative, nimble and agile. We believe that we have the right combination of quality products, an innovative and creative mindset, a strategic roadmap and a strong business network that will drive our performance. Over the years, we have shown ourselves to be resilient, sparing no effort to transform ourselves so as to stay ahead of the competition and to strengthen our business fundamentals. We will continue to focus on innovation to expand our pipeline of compelling products particularly in the areas of filtration, fish nutrition and genetic breeding of ornamental fish, as well as the sustainable farming of edible fish/seafood for the Asian consumer market. These initiatives will continue to position us favourably as we move ahead to achieve our vision of being the world's biggest exporter of ornamental fish.

11 **RISK FACTORS AND RISK MANAGEMENT**

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

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

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

BUSINESS AND STRATEGY RISKS

Strategy and investment risk

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

Market and political risk

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

As at 31 December 2019, approximately 38% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 67% of the total revenue in FY 2019. As we currently export to more than 80 cities and countries and to more countries moving forward, the effect of greater geographical diversification reduces the risk of concentration in a single market.

Regulatory risk

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

Competition risk

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

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

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

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

Reputation risk

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

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

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

Fraud and corruption risk

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

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

Business continuity risk

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

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

OPERATIONAL RISKS

Operational risk

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

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

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

Product risk

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds at any one point in time is uncommon. We have institutionalised a comprehensive health management and quarantine system for all our domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for our fishes. Currently, all our domestic and overseas fish operations have attained ISO 9002 certifications, including the breeding of Dragon Fish. There is no known disease that is fatal to the Dragon Fish because of its primitive and prehistoric origin.

Although our Dragon Fish sales contributed approximately 5% of our Group total revenue for the year ended 31 December 2019, we sell over 1,000 species and varieties of ornamental fish and more than 3,000 kinds of accessories products to more than 80 cities and countries and are not solely reliant on the sale of any particular type or species of fish or accessories products. We are diversified in both our products and markets.

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

Climate change and environmental risk

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

FINANCIAL RISKS

Foreign exchange risk

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

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

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

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

Credit risk

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

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

While our Group faces the normal business risks associated with ageing collections, we have adopted a prudent accounting policy of making the necessary allowance for impairment loss in accordance with SFRS(I) 9.

Interest rate risk

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

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

Liquidity risk

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

Financial management risk

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

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

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

Capital structure risk

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

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

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

Derivative financial instrument risk

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

12 **DIVIDEND**

(a) **Present period**

Name of dividend	First & final
Dividend type	Cash
Dividend rate	0.3 cents per ordinary share
Tax rate	One-tier tax exempt

(b) **Previous corresponding period**

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

(c) **Total annual dividend**

	Latest year ($'000)	Previous year ($'000)
Ordinary	341	227
Preference	Nil	Nil
Total:	341	227

12 **DIVIDEND (cont'd)**

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 26 March 2020, the dividend will be paid on 23 April 2020.

(e) **Books closure date**

Registrable Transfers received by the Company's Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5:00 pm on 8 April 2020 will be registered before entitlements to the proposed dividend are determined. The Register of Transfer and the Register of Members of the Company will be closed on 9 April 2020 for the preparation of dividend warrants.

13 **INTERESTED PERSON TRANSACTIONS**

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

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

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2019	2018	2019	2018
	$	$	$	$
Guarantee fee paid to a major shareholder of the Company *	3,000	3,000	30,000	30,000
Consultancy fees paid to a company in which a director has a substantial interest	-	-	8,300	8,300

** The Group are charged a guarantee fee of 0.5% per annum on the average balance of the outstanding amounts due from GZQH. 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 during the fourth quarter and the financial year ended 31 December 2019.

14 **SEGMENT INFORMATION**

(a) **Business segments**

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

14 **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/seafood;
(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.

	Financial year ended 31 Dec 2019				
	Fish	**Accessories**	**Plastics**	**Others**	**Total**
Group	$'000	$'000	$'000	$'000	$'000
Revenue					
External revenue	29,847	35,478	11,590	-	76,915
Inter-segment revenue	2,416	3,412	172	(6,000)	-
Total Revenue	32,263	38,890	11,762	(6,000)	76,915
Results					
EBITDA *	3,374	2,752	1,511	(2,978)	4,659
Depreciation and amortisation	(1,522)	(1,174)	(374)	-	(3,070)
Interest expense	(14)	(64)	(2)	(506)	(586)
Interest income	19	2	-	35	56
Profit before tax	1,857	1,516	1,135	(3,449)	1,059
Tax expense	(39)	(45)	(25)	(6)	(115)
Profit for the year	1,818	1,471	1,110	(3,455)	944
Net profit margin	**6.1%**	**4.1%**	**9.6%**		**1.2%**
Assets and Liabilities					
Segment assets	35,509	36,524	5,412	2,125	79,570
Segment liabilities	4,339	5,905	1,837	15,601	27,682
Other Segment Information					
Expenditures for non-current assets **	553	312	163	-	1,028
Other non-cash items:					
(Gain) Loss on disposal of property, plant and equipment	(6)	11	2	-	7
Property, plant and equipment written off	-	2	-	-	2
(Reversal of) Impairment loss on trade receivables	(92)	40	-	-	(52)
Allowance for inventory obsolescence	-	17	-	-	17

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

Included in the Fish segment was revenue contribution and profit for the year ended 31 December 2019 of approximately $2.5 million and $0.18 million respectively in relation to the aquaculture business.

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

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

Group	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
	Financial year ended 31 Dec 2018				
Revenue					
External revenue	34,614	39,095	11,958	-	85,667
Inter-segment revenue	2,070	4,425	156	(6,651)	-
Total Revenue	36,684	43,520	12,114	(6,651)	85,667
Results					
EBITDA *	2,697	2,343	997	(2,590)	3,447
Depreciation and amortisation	(1,395)	(539)	(233)	-	(2,167)
Interest expense	(14)	(38)	(2)	(459)	(513)
Interest income	5	3	-	-	8
Profit before tax	1,293	1,769	762	(3,049)	775
Tax expense	(95)	(112)	-	-	(207)
Profit for the year	1,198	1,657	762	(3,049)	568
Net profit margin	**3.5%**	**4.2%**	**6.4%**		**0.7%**
Assets and Liabilities					
Segment assets	35,418	36,150	5,654	2,585	79,807
Segment liabilities	4,207	5,341	2,392	17,059	28,999
Other Segment Information					
Expenditures for non-current assets **	832	627	445	-	1,904
Other non-cash items:					
Gain on disposal of property, plant and equipment	(20)	(28)	(10)	-	(58)
Property, plant and equipment written off	-	8	-	-	8
Impairment loss on trade receivables	39	57	-	-	96
Allowance for inventory obsolescence	-	24	-	-	24
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.*

(b) **Geographical segments**

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

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

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

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

	Revenue		Segment non-current assets		Segment assets	
	Financial year ended 31 Dec		Financial year ended 31 Dec		Financial year ended 31 Dec	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Group	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	25,190	25,312	22,237	27,870	49,278	56,143
Other Asian countries	36,435	43,923	6,488	4,473	30,292	23,664
Europe	7,441	7,952	-	-	-	-
Others	7,849	8,480	-	-	-	-
Total	76,915	85,667	28,725	32,343	79,570	79,807

(c) **Major customers**

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

15 **BREAKDOWN OF REVENUE**

Group	**Fish** $'000	**Accessories** $'000	**Plastics** $'000	**Total** $'000
4Q 2019				
Singapore (including domestic sales & sales to Singapore)	1,277	2,425	2,717	6,419
Overseas (including export to & sales in overseas)	5,035	8,031	124	13,190
Total revenue	6,312	10,456	2,841	19,609
4Q 2018				
Singapore	1,078	2,340	3,196	6,614
Overseas	6,479	7,461	119	14,059
Total revenue	7,557	9,801	3,315	20,673
Financial year ended 31 Dec 2019				
Singapore (including domestic sales & sales to Singapore)	4,791	9,237	11,162	25,190
Overseas (including export to & sales in overseas)	25,056	26,241	428	51,725
Total revenue	29,847	35,478	11,590	76,915
Financial year ended 31 Dec 2018				
Singapore	4,730	9,047	11,535	25,312
Overseas	29,884	30,048	423	60,355
Total revenue	34,614	39,095	11,958	85,667

16 **REVENUE AND PROFIT CONTRIBUTION BY QUARTER**

	Group		
	Financial year ended 31 Dec		Increase
	2019	2018	(Decrease)
	$'000	$'000	%
Revenue			
1st Quarter	18,852	21,610	(12.8)
2nd Quarter	19,215	21,949	(12.5)
3rd Quarter	19,239	21,435	(10.2)
4th Quarter	19,609	20,673	(5.1)
	76,915	85,667	(10.2)
Profit before tax			
1st Quarter	68	164	(58.5)
2nd Quarter	321	233	37.8
3rd Quarter	354	326	8.6
4th Quarter	316	52	507.7
	1,059	775	36.6
Profit attributable to owners of the Company			
1st Quarter	37	35	5.7
2nd Quarter	236	146	61.6
3rd Quarter	301	175	72.0
4th Quarter	346	46	652.2
	920	402	128.9

17 **CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS**

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

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

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

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Andy Yap Ah Siong	53	Substantial shareholder and brother of Alvin Yap Ah Seng	Division head of Qian Hu division (since 1988) **Duties :** Oversees the daily business operations of Qian Hu division	Andy Yap was a Board member until he retired at the AGM held on 28 March 2019. There is no change to his daily duties during the year.
Yap Kim Choon	59	Substantial shareholder and brother of Kenny Yap Kim Lee	Division head of Wan Hu division (since 1988) **Duties :** Oversees the daily business operations of Wan Hu division	No change
Tan Boon Kim	54	Brother-in-law of Alvin Yap Ah Seng	Managing Director of - Thai Qian Hu Company Limited (since 2002) - P.T. Qian Hu Joe Aquatic Indonesia (since 2012) **Duties :** Oversees the business operations and business development of Thai Qian Hu Company Limited & P.T. Qian Hu Joe Aquatic Indonesia	No change

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lee Kim Hwat	65	Brother-in-law of Kenny Yap Kim Lee	Managing Director of Qian Hu Tat Leng Plastic Pte Ltd (since 1996) **Duties :** Oversees and manages the daily operations and business development of Qian Hu Tat Leng Plastic Pte Ltd	No change
Yap Kok Cheng	41	Son of Yap Hock Huat	General Manager, China Operations (since 1 January 2016) **Duties :** Oversees and manages the Group's aquaculture business operations and the overall business development in China	No change
Yap Kay Wee	41	Son of Yap Ping Heng	Head of Accessories Business, China Operations (since 1 January 2016) **Duties :** Oversees and manages the accessories business in China	No change

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lim Yik Kiang	43	Son-in-law of Yap Hock Huat	Head of Fish Business, China Operations (since 1 January 2016) **Duties :** Oversees and manages the fish business in China	No change

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

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

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
13 January 2020

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Independent auditors' report

Members of the Company
Qian Hu Corporation Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Qian Hu Corporation Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS78.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and the financial performance and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Valuation of biological assets
Refer to Note 6 to the financial statements</td></tr>
<tr><td>The key audit matter

The Group holds a significant amount of biological assets in the form of brooder stock of dragon fish. Brooder stock is carried at cost less accumulated depreciation and impairment.

Prevailing oversupply of dragon fish continues to exert downward pressure on the selling prices of dragon fish. This presents a risk that the brooder stock balance may not be recoverable, resulting in losses.

Management performed an annual impairment review on brooder stock, which involves significant judgement in estimating future cash flows. Due to the level of judgement involved, this is one of the key areas that our audit focused on.</td>
<td>How the matter was addressed in our audit

We considered the appropriateness of the valuation methodology and tested the information used by management.

The key assumptions underlying the projected cash flows (including production yield and budgeted revenue growth) are challenged by comparing against historical information of the Group and consideration of other external and internal factors. Our valuation specialists are engaged to assess the reasonableness of the discount rate used.

We tested the mathematical accuracy of the discounted cash flow model and evaluated the sensitivity of the outcomes by considering reasonably plausible changes to the key assumptions.

In addition, we evaluated the appropriateness of the relevant disclosure in relation to the valuation of biological assets.</td></tr>
<tr><td colspan="2">Our findings

The key assumptions underlying the projected cash flows are comparable to the historical information of the Group and/ or aligned with internal and external factors noted.

The Group's impairment review is dependent on the extent of the changes in all the key assumptions used.

We found that the disclosure appropriately describes the inherent degree of judgement involved.</td></tr>
</table>

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Valuation of trade and other receivables – QHCL's level
Refer to Note 9 to the financial statements

The key audit matter	*How the matter was addressed in our audit*
In the prior year, the Group has significant and long outstanding receivables from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH) amounting to \$10.0 million, of which \$7.3 million of this amount was guaranteed by a major shareholder and a director of the Company. No loss allowance was made for these balances as of the last reporting date. During the year, upon the completion of its acquisition, GZQH became a wholly-owned subsidiary of the Group as at year end. The outstanding amounts due from GZQH at QHCL's level amounted to approximately \$10.3 million, of which \$7.2 million was guaranteed by a major shareholder and a director of the Company. The assessment of collectability of long outstanding receivables involves significant judgement of the debtors' ability to pay and the credit worthiness of their guarantors.	We assessed the recoverability of the amounts owing by GZQH with reference to future cashflows provided by management, support from the guarantors, on-going business relationship and considered the Group's future business plan for GZQH. In addition, we reviewed the sufficiency of the disclosures in relation to the significant and long outstanding receivables.

Our findings

We found management's assessment of the recoverability of trade and other receivables, which premised on the financial strength of the guarantors, on-going business relationships and the future business plans to be reasonable and the disclosures to be appropriate.

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Impairment of goodwill **Refer to Note 7 to the financial statements**	
The key audit matter	***How the matter was addressed in our audit***
The Group has $4.05 million of goodwill as at 31 December 2019. This provisional goodwill arises from the acquisition of GZQH during the year. The goodwill is tested for impairment annually by estimating the recoverable amount of the cash-generating unit ("CGU"). Management applies the value-in-use (discounted cash flow) method to determine the recoverable amounts of the CGU. Forecasting future cash flow is a highly judgemental process which involves making assumptions such as revenue growth rates, margins, operating expenses and discount rates.	We evaluated the appropriateness of the CGU identified by management based on our knowledge of the business acquisition giving rise to the goodwill and our understanding of the current business of the Group. The key assumptions underlying the projected cash flows (including budgeted revenue growth, net profit margin and terminal growth) are challenged by comparing against the Group's historical performance in similar business segment, future business plans and consideration of other external and internal factors. Our valuation specialists are engaged to assess the reasonableness of the discount rate used. We tested the mathematical accuracy of the discounted cash flow and performed sensitivity analyses, focusing on plausible changes in the key assumptions or discount rates and analysed the impact to the carrying amount. We considered the appropriateness of the disclosures in the financial statements.
Our findings We found the identification of CGUs to be appropriate. The assumptions and resulting estimates were aligned with the Group's historical performance in similar business segment, future business plans and consideration of market data. CGU's key assumptions were appropriately disclosed. The Group's impairment review is sensitive to changes in all the key assumptions used. Based on the Group's sensitivity analysis, a reasonable possible change in a single factor could result in impairment of goodwill.	

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' Statement prior to the date of this auditors' report. The other information except for the Directors' Statement in the Annual Report ("the Reports") are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

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Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Yeo Lik Khim.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 January 2020