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

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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QIAN HU CORPORATION LIMITED
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FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) STATEMENT OF PROFIT OR LOSS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 3 months ended 31 Dec			Group Financial year ended 31 Dec		
		2018	2017	Change	2018	2017	Change
		$'000	$'000	%	$'000	$'000	%
Revenue		20,673	22,042	(6.2)	85,667	87,824	(2.5)
Cost of sales		(14,253)	(15,132)	(5.8)	(59,625)	(61,567)	(3.2)
Gross profit		6,420	6,910	(7.1)	26,042	26,257	(0.8)
Other income (expenses)	i	246	(12)	NM	1,637	119	NM
		6,666	6,898	(3.4)	27,679	26,376	4.9
Selling & distribution expenses	ii	(546)	(546)	-	(2,196)	(1,533)	43.2
General & administrative expenses	ii	(5,937)	(6,058)	(2.0)	(24,203)	(23,692)	2.2
Results from operating activities	iii	183	294	(37.8)	1,280	1,151	11.2
Finance income	iv	3	3	-	8	7	14.3
Finance costs	iv	(134)	(105)	27.6	(513)	(387)	32.6
		52	192	(72.9)	775	771	0.5
Share of losses of associate		-	-	-	-	(10)	(100.0)
Profit before tax		52	192	(72.9)	775	761	1.8
Tax expense	v	(2)	(72)	(97.2)	(207)	(212)	(2.4)
Profit for the period/year		50	120	(58.3)	568	549	3.5
Profit attributable to:							
Owners of the Company		**46**	**126**	**(63.5)**	**402**	**329**	**22.2**
Non-controlling interests		4	(6)	166.7	166	220	(24.5)
Profit for the period/year		50	120	(58.3)	568	549	3.5
Gross profit margin		31.1%	31.3%		30.4%	29.9%	
Net profit margin		0.2%	0.5%		0.7%	0.6%	
Effective tax rate		-	-		25.9%	31.0%	
Return on equity		-	-		0.8%	0.7%	

NM: Not Meaningful

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group 3 months ended 31 Dec			Group Financial year ended 31 Dec		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
	$'000	$'000	%	$'000	$'000	%
Profit for the period/year	50	120	(58.3)	568	549	3.5
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations, net of tax	(902)	69	NM	(619)	(11)	NM
Other comprehensive income for the period/year, net of tax	(902)	69	NM	(619)	(11)	NM
Total comprehensive income for the period/year	(852)	189	(550.8)	(51)	538	(109.5)
Total comprehensive income attributable to:						
Owners of the Company	**84**	**182**	**(53.8)**	**491**	**373**	**31.6**
Non-controlling interests	(936)	7	NM	(542)	165	(428.5)
Total comprehensive income for the period/year	(852)	189	(550.8)	(51)	538	(109.5)

Notes to Statement of Profit or Loss

(i) Other income (expenses)

Other income (expenses) comprises:

	Group 3 months ended 31 Dec		Group Financial year ended 31 Dec	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Gain (Loss) on disposal of				
- property, plant and equipment	6	14	58	63
- investment property	(25)	-	(25)	-
- a subsidiary	66	-	66	-
- an associate	-	(46)	-	(46)
Handling income (net)	168	-	1,390	-
Sundry income	31	20	148	102
	246	(12)	1,637	119

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.

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

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

(ii) **Selling & distribution expenses** – increased by $663K or 43.2% (YTD)

General & administrative expenses – increased by $511K or 2.2% (YTD)
decreased by $121K or 2.0% (4Q 2018)

The net increase in operating expenses by approximately $1.2 million or 4.7% for the year ended 31 December 2018 as compared to the previous financial year was mainly due to higher personnel expenses as a result of the increase in headcount and annual salary revision. In addition, there were more expenses incurred to enhance our marketing efforts, including the participation in trade shows to promote and showcase our products.

With the disposal of SHQH in the 4th quarter of 2018, the Group's operating expenses decreased accordingly in the current quarter as compared to the corresponding period in 2017.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		**Group**	
	3 months ended 31 Dec		**Financial year ended 31 Dec**	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Auditors' remuneration				
- auditors of the Company	29	33	120	120
- other auditors	5	7	17	18
Non-audit fees				
- other auditors	7	7	22	31
Directors' fees				
- directors of the Company	27	31	106	106
Directors' remuneration				
- directors of the Company	284	284	1,135	1,135
- directors of subsidiaries	92	93	372	368
Amortisation of intangible assets	37	21	142	38
Bad trade receivables written off (recovered)	70	(7)	249	7
Depreciation of				
- property, plant and equipment	462	411	1,799	1,659
- brooder stocks	59	53	226	198
Property, plant and equipment written off	-	-	8	-
Impairment loss on trade receivables	127	399	96	616
Allowance for (Write back of allowance for) inventory obsolescence	(20)	(56)	24	(56)
Operating lease expenses	253	308	1,163	1,174
Personnel expenses *	3,228	3,720	14,974	14,500
Exchange loss (gain), net	365	(5)	356	245
Change in fair value less estimated point-of-sale costs of breeder stocks	-	6	30	6

* Include directors' remuneration.

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

(iv) **Finance income**
Finance costs

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Interest expense				
- bank loans and overdrafts	124	92	461	337
- bills payable to banks	3	5	22	21
- finance lease liabilities	7	8	30	29
	134	105	513	387
Interest income				
- bank deposits	(3)	(3)	(8)	(7)
Net finance costs	131	102	505	380

The increase in net finance costs by approximately 28.4% and 32.9% in the current quarter and for the year ended 31 December 2018 respectively as compared to the corresponding periods in 2017 was mainly due to higher interest rates charged by financial institutions as well as an increase in the amount of bank borrowings outstanding during the current reporting periods.

(v) **Tax expense**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Current tax expense				
- current year	8	83	213	229
- over provision in respect of prior years	6	(18)	6	(24)
Deferred tax				
- origination and reversal of temporary differences	(12)	7	(12)	7
	2	72	207	212

The effective tax rate registered for the year ended 31 December 2018 was higher than the amount obtained by applying the statutory tax rate of 17% on profit before tax mainly due to losses incurred by some entities which cannot be offset against profits earned by other companies within the Group and the varying statutory tax rates of the different countries in which the Group operates. In addition, there were higher profit contributions from entities with a higher tax rate.

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

	Note	Group			Company		
		31 Dec 2018	**31 Dec 2017**	**1 Jan 2017 ***	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017 ***
		$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Property, plant and equipment	i	9,536	9,599	8,750	4,488	4,948	5,348
Investment property	ii	-	1,586	1,586	-	-	-
Intangible assets	iii	3,289	3,351	889	3,229	3,351	889
Brooder stocks	iv	10,521	9,382	8,180	10,521	9,382	8,180
Investments in subsidiaries	v	-	-	-	3,888	3,007	2,381
Investment in associate		-	-	278	-	-	413
Trade and other receivables	vi	8,998	9,047	9,031	8,998	9,047	9,031
Non-current assets		32,344	32,965	28,714	31,124	29,735	26,242
Breeder stocks	vii	121	97	67	121	97	67
Inventories	viii	15,863	15,584	15,453	6,646	6,673	6,667
Trade receivables	ix	16,544	16,992	17,559	10,322	9,528	10,295
Other receivables, deposits and prepayments	x	3,444	4,872	6,299	1,867	2,100	3,903
Due from							
- subsidiaries (trade)		-	-	-	6,826	6,849	6,436
- subsidiaries (non-trade)		-	-	-	1,858	2,834	2,843
- associate (trade)	xi	-	-	849	-	-	849
Fixed deposits		683	-		683	-	
Cash and bank balances		10,808	11,124	8,723	4,990	6,218	5,236
Current assets		47,463	48,669	48,950	33,313	34,299	36,296
Total assets		79,807	81,634	77,664	64,437	64,034	62,538
Equity							
Share capital	xii	30,773	30,773	30,773	30,773	30,773	30,773
Reserves		17,688	18,146	17,773	9,269	9,677	10,518
Equity attributable to owners of the Company		48,461	48,919	48,546	40,042	40,450	41,291
Non-controlling interests		2,347	2,716	1,948	-	-	-
Total equity		50,808	51,635	50,494	40,042	40,450	41,291
Liabilities							
Loans and borrowings	xiii	216	246	364	148	144	241
Deferred tax liabilities		45	57	50	-	-	-
Non-current liabilities		261	303	414	148	144	241
Trade payables		7,178	7,347	7,442	3,030	2,348	2,680
Other payables and accruals	xiv	3,880	5,990	3,801	2,768	4,437	2,664
Due to							
- subsidiaries (trade)		-	-	-	250	143	144
- subsidiaries (non-trade)		-	-	-	786	688	540
Loans and borrowings	xiii	17,330	16,039	15,205	17,206	15,617	14,771
Current tax payable		350	320	308	207	207	207
Current liabilities		28,738	29,696	26,756	24,247	23,440	21,006
Total liabilities		28,999	29,999	27,170	24,395	23,584	21,247
Total equity and liabilities		79,807	81,634	77,664	64,437	64,034	62,538

* The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") framework for the financial year ended 31 December 2018 and has applied SFRS(I) 1 with 1 January 2017 as the date of transition, which requires the first SFRS(I) financial statements to comprise of an *opening SFRS(I) statement of financial position at the date of transition to SFRS(I)s*. (Please refer to pages 16 and 17 for more details)

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

	Group		Company	
	31 Dec 2018	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Inventory turnover (days)	97	92	77	76
Trade receivables turnover (days)	103	103	145	137
Trade receivables turnover (days) *(without GZQH balances)*	67	68	72	72
Debt equity ratio	0.57	0.58	0.61	0.58

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

Notes to Statements of Financial Position

(i) **Property, plant and equipment**

There was an increase in property, plant and equipment during the financial year, mainly due to capital expenditure incurred in relation to our new breeding farm in Thailand and on-going improvements to the infrastructure of the Singapore and other overseas farm facilities. The increase was, however, offset by the depreciation charge on the property, plant and equipment during the financial year.

(ii) **Investment Property**

Investment property was related to a piece of freehold land situated in Batu Pahat ("Property"), which was transferred to the Group as partial settlement of the outstanding amounts due from the purchasers of Kim Kang Aquaculture Sdn Bhd ("Kim Kang"), a former subsidiary of the Group and the advances extended to Kim Kang before its disposal. The Property was disposed of in the 4th quarter of 2018 at a marginal loss of $25K.

(iii) **Intangible assets**

	Group			Company		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Trademarks/customer acquisition costs/formulation rights	4,051	3,971	1,471	3,971	3,971	1,471
Product listing fees	196	196	196	196	196	196
	4,247	4,167	1,667	4,167	4,167	1,667
Less accumulated amortisation	(958)	(816)	(778)	(938)	(816)	(778)
	3,289	3,351	889	3,229	3,351	889

<u>Notes to Statements of Financial Position (cont'd)</u>

(iii) **Intangible assets (cont'd)**

Trademarks/customer acquisition costs/formulation rights relate to costs paid to third parties in relation to: -
- acquisition of trademarks rights of certain brands of pet food. Such costs were determined to have indefinite lives and are tested for impairment annually;
- acquisition of customer base, which is amortised over three years; and
- acquisition of trademarks and formulation rights of certain products, which are amortised over 25 years.

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

(iv) **Brooder stocks**

	Group and Company	
	31 Dec 2018	**31 Dec 2017**
	$'000	$'000
Cost		
Balance as at 1 Jan	10,650	9,250
Additions during the year	1,365	1,400
Balance as at 31 Dec	12,015	10,650
Accumulated depreciation		
Balance as at 1 Jan	1,268	1,070
Depreciation charge for the year	226	198
Balance as at 31 Dec	1,494	1,268
Net carrying value		
Balance as at 31 Dec	10,521	9,382

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

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

Notes to Statements of Financial Position (cont'd)

(v) **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 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	%	%	%	$'000	$'000	$'000
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	100	57	57	57
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	100	172	172	172
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	100	-	-	-
Qian Hu Development Sdn Bhd (Malaysia)	100	100	100	16	16	16
Beijing Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	100	172	172	172
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	- ^	100	100	-	1,087	1,087
Guangzhou Qian Hu OF Feed Co., Ltd (People's Republic of China)	100	100	100	126	126	126
Guangzhou Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	100	69	69	69
Qian Hu Aquaculture (Hainan) Co., Ltd (People's Republic of China)	100 (Note i)	51	51 #	1,240	626	-
Tian Tian Fisheries (Hainan) Co., Ltd (People's Republic of China)	60	60 (Note ii)	-	378	-	-
Qian Hu Marketing Co Ltd (Thailand)	74	74	74	148	148	148
Thai Qian Hu Company Limited and its subsidiary: (Thailand)	60	60	60	122	122	122
- Advance Aquatic Co., Ltd (Thailand)	60	60	60	-	-	-
NNTL (Thailand) Limited (Thailand)	49 *	49 *	49 *	31	31	31
P.T. Qian Hu Joe Aquatic Indonesia (Indonesia)	97.25 (Note iii)	90	90	1,357	381	381
				3,888	3,007	2,381

* The Company has voting control at general meetings & Board meetings of NNTL (Thailand) Limited.
# Capital contribution made in April 2017.
^ Disposed of in October 2018

Notes to Statements of Financial Position (cont'd)

Note -
(i) The Company acquired an additional 49% interest in Qian Hu Aquaculture (Hainan) Co., Ltd in the 4th quarter of 2018.

(ii) In November 2017, the Company incorporated a 60% owned subsidiary, Tian Tian Fisheries (Hainan) Co., Ltd, with a registered capital of Rmb 3 million. The Company had made full capital contribution into this subsidiary in April 2018.

(iii) During the current financial year, the Company capitalised the outstanding loan amount of approximately $1.0 million as its investment in P.T. Qian Hu Joe Aquatic Indonesia, which resulted in the increase in effective interest held.

(vi) **Trade and other receivables**

Trade and other receivables (non-current) relates to amount due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH"), a former subsidiary of the Group. Based on a repayment arrangement entered into with GZQH in FY 2018, $1.0 million of the receivables as at 31 December 2018 is due on 31 December 2019 and the remaining amount of $9.0 million is not expected to be repaid within the next 12 months.

The recoverability of the amount due from GZQH of approximately $7.3 million (31/12/2017: $7.3 million) is guaranteed by a major shareholder of the Company and a director of the Company.

(vii) **Breeder stocks**

	Group and Company	
	31 Dec 2018	**31 Dec 2017**
	$'000	$'000
Balance as at 1 Jan	97	67
Change in fair value less estimated point-of-sale costs	(30)	(6)
Decreases due to sales	(865)	(1,007)
Net increase due to births	919	1,043
Balance as at 31 Dec	121	97

Breeder stocks are off-springs of the brooder stocks, held for trading purposes. As at the reporting date, these stocks are measured based on their fair value, which is determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier. The increase in breeder stocks balance as at 31 December 2018 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)

(viii) Inventories

	Group			Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Fish	3,296	3,101	2,846	1,872	2,162	2,038
Accessories	12,014	11,954	12,116	5,050	4,763	4,937
Plastics products - raw materials	308	316	285	-	-	-
Plastics products - finished goods	615	559	608	-	-	-
	16,233	15,930	15,855	6,922	6,925	6,975
Less allowance for inventory obsolescence	(370)	(346)	(402)	(276)	(252)	(308)
	15,863	15,584	15,453	6,646	6,673	6,667

(ix) Trade receivables

	Group			Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables	18,028	19,345	19,936	11,419	11,685	12,584
Less impairment loss on trade receivables	(1,484)	(2,353)	(2,377)	(1,097)	(2,157)	(2,289)
	16,544	16,992	17,559	10,322	9,528	10,295

The decrease in trade receivables as at 31 December 2018 was mainly due to the exclusion of trade receivables balance from SHQH following its disposal in FY 2018. The trade receivables turnover days have remained relatively consistent for both reporting periods.

(x) Other receivables, deposits and prepayments

	Group			Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Other receivables *	1,570	2,256	2,956	1,390	1,471	2,827
Deposits	343	306	276	57	39	45
Prepayments	934	1,114	1,166	165	170	171
Advances to suppliers	304	526	636	255	420	596
Deposits for purchase of property, plant and equipment	223	632	1,213	-	-	264
Tax recoverable	70	38	52	-	-	-
	3,444	4,872	6,299	1,867	2,100	3,903

Notes to Statements of Financial Position (cont'd)

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

* Other receivables as at 31 December 2017 consist of the balance of the outstanding amounts due from the purchasers of Kim Kang of approximately $1.36 million. This amount has been fully settled in FY 2018 with the transfer of brooder stocks to the Group as settlement-in-kind (please refer to (iv) above). The reduction was partially offset by the proceeds from the disposal of SHQH due from its purchaser of approximately $1.1 million.

The decrease in deposits for purchase of property, plant and equipment was mainly in relation to the infrastructure construction works undertaken by our Thailand subsidiary which has been capitalised as property, plant and equipment upon its completion.

(xi) **Due from associate**

With the disposal of the associate in the 4th quarter of 2017, the Group's trade balances due from associate has been reclassified as trade receivables.

(xii) **Share capital**

	Number of shares	$'000
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2018 and 31 Dec 2018	113,526,467	30,773

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

There were no outstanding convertibles as at 31 December 2018 (31/12/2017: Nil).

The Company did not hold any treasury shares as at 31 December 2018 (31/12/2017: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the financial year ended 31 December 2018.

(xiii) **Loans and borrowings**

	Group			Company		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current liabilities						
Finance lease liabilities	216	246	364	148	144	241
	216	246	364	148	144	241
Current liabilities						
Term loans						
- short-term (unsecured)	16,700	15,000	14,500	16,700	15,000	14,500
- long-term (secured)	-	65	142	-	-	-
Bills payable to banks (unsecured)	407	766	354	370	532	197
Finance lease liabilities	223	208	209	136	85	74
	17,330	16,039	15,205	17,206	15,617	14,771
Total borrowings	17,546	16,285	15,569	17,354	15,761	15,012

Notes to Statements of Financial Position (cont'd)

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

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2017 and 2018.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 2.53% to 3.00% (31/12/2017: 1.97% to 3.00%) per annum and are repayable within the next 12 months from the reporting date. There was additional short-term bank borrowing taken up during the 1st quarter of 2018 for the settlement of the acquisition of trademarks and formulation rights of a product made in the 4th quarter of 2017.

The weighted average effective interest rates per annum relating to bills payable to banks of the Group and of the Company are 5.22% (31/12/2017: 5.04%) and 5.25% (31/12/2017: 5.25%) respectively. These bills mature within one to four months from the reporting date.

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

(xiv) **Other payables and accruals**

	Group			Company		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Accrued operating expenses	440	359	530	323	260	451
Accrued staff costs	1,482	1,336	1,240	1,055	952	808
Other payables	1,682	3,981	1,655	1,149	3,005	1,292
Advance received from customers	276	314	376	241	220	113
	3,880	5,990	3,801	2,768	4,437	2,664

The decrease in other payables and accruals as at 31 December 2018 was mainly due to settlement made in relation to the acquisition of trademarks and formulation rights of a product amounting to approximately $1.7 million, as well as payments made to non-trade suppliers. This was partially offset by the increase in accruals for staff costs.

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

1(c) STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
Profit before tax	52	192	775	761
Adjustments for:				
Bad trade receivables written off (recovered)	70	(7)	249	7
Depreciation of				
- property, plant and equipment	462	411	1,799	1,659
- brooder stocks	59	53	226	198
Amortisation of intangible assets	37	21	142	38
(Gain) Loss on disposal of				
- property, plant and equipment	(6)	(14)	(58)	(63)
- investment property	25	-	25	-
- a subsidiary	(66)	-	(66)	-
- an associate	-	46	-	46
Property, plant and equipment written off	-	-	8	-
Change in fair value less estimated point-of-sale costs of breeder stocks	-	6	30	6
Impairment loss on trade receivables	127	400	96	616
Allowance for (Write back of allowance for) inventory obsolescence	(20)	(56)	24	(56)
Share of losses of associate	-	-	-	10
Interest expense	134	105	513	387
Interest income	(3)	(3)	(8)	(7)
Operating profit before working capital changes	871	1,154	3,755	3,602
(Increase) Decrease in:				
Inventories	(230)	127	(907)	(20)
Breeder stocks	(21)	(6)	(54)	(36)
Trade receivables	62	(309)	(1,274)	84
Other receivables, deposits and prepayments	1,169	1,282	1,057	738
Increase (Decrease) in:				
Trade payables	830	(252)	466	(71)
Bills payable to banks	40	7	(358)	408
Other payables and accruals	(954)	2,092	(1,958)	2,194
Cash generated from operating activities	1,767	4,095	727	6,899
Tax paid	(29)	(39)	(213)	(174)
Net cash from operating activities	1,738	4,056	514	6,725
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(806)	(544)	(1,591)	(2,446)
- intangible assets	-	(2,500)	(80)	(2,500)
Proceeds from disposal of				
- property, plant and equipment	44	14	114	82
- an associate	-	222	-	222
- investment property	1,579	-	1,579	-
Disposal of a subsidiary, net of cash and cash equivalents (Note ii)	(299)	-	(299)	-
Acquisition of additional interest in a subsidiary	(614)	-	(614)	-
Interest received	3	3	8	7
Net cash used in investing activities	(93)	(2,805)	(883)	(4,635)

1(c) **STATEMENT OF CASH FLOWS**
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash flows from financing activities				
Drawdown of bank term loans	-	500	2,200	500
Capital contribution from non-controlling interests	-	198	239	603
Repayment of				
- finance lease liabilities	(61)	(68)	(249)	(253)
- bank term loans	(150)	(20)	(568)	(79)
Payment of dividend to				
- owners of the Company	-	-	(227)	-
- non-controlling interests	(85)	-	(169)	(82)
Interest paid	(132)	(103)	(504)	(385)
Net cash (used in) from financing activities	(428)	507	722	304
Net increase in cash and cash equivalents	1,217	1,758	353	2,394
Cash and cash equivalents at beginning of period/year	10,238	9,342	11,124	8,723
Effect of exchange rate changes on cash balances held in foreign currencies	36	24	14	7
Cash and cash equivalents at end of period/year (Note i)	11,491	11,124	11,491	11,124

Notes to Statement of Cash Flows

(i) Cash and cash equivalents

Cash and cash equivalents comprise:

	Group	
	31 Dec 2018	31 Dec 2017
	$'000	$'000
Fixed deposits	683	-
Cash and bank balances	10,808	11,124
	11,491	11,124

Fixed deposits bear average effective interest rate of 2.01% (2017: Nil) per annum.

Cash and bank balances earn interest at floating rates based on daily bank deposit rates from 0% to 0.1% (2017: 0% to 0.1%) per annum.

Notes to Statement of Cash Flows (cont'd)

(ii) **Disposal of subsidiaries**

The attributable assets and liabilities of the subsidiary disposed and the cash flow effect of the disposal is set out as follows:-

	Group	
	Financial year ended 31 Dec	
	2018	**2017**
	$'000	$'000
Property, plant and equipment	37	-
Inventories	1,054	-
Trade and other receivables	728	-
Cash and bank balances	419	-
Trade and other payables	(706)	-
Due to		
- holding company	(295)	-
- related companies	(103)	-
Net assets disposed	1,134	-
Gain on disposal of a subsidiary	66	-
Total consideration	1,200	-
Less:		
Cash and bank balances on disposal of subsidiary	(419)	-
Deferred cash settlement	(1,080)	-
Net cash outflow from disposal of a subsidiary	(299)	-

During the financial year, the Company disposed of its entire equity interest in a subsidiary for a total consideration of $1.2 million. The gain on disposal of the subsidiary amounted to approximately $66K.

Overall, our cash and cash equivalents increased by approximately $1.2 million and $0.4 million from a quarter and a year ago respectively.

Notwithstanding the marginally higher profit generated for the year ended 31 December 2018, the reduction in **net cash from operating activities** was mainly due to funds deployed into inventory purchases, as well as settlement made in relation to the acquisition of trademarks and formulation rights of a product during the financial year.

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 from financing activities in FY 2018 was related to cash proceeds received from additional drawdown of bank term loans which was mainly utilised for the payment of dividend to the non-controlling shareholders of a subsidiary, the settlement of bank term loans and finance lease liabilities on a monthly basis, as well as the servicing of interest payments. In addition, there was payment of dividend made to the shareholders of the Company in April 2018.

QIAN HU CORPORATION LIMITED
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1(d)(i) **STATEMENTS OF CHANGES IN EQUITY**

	Attributable to owners of the Company					
Group	**Share capital** $'000	**Retained earnings** $'000	**Translation reserve** $'000	**Total** $'000	**Non-Controlling interests** $'000	**Total Equity** $'000
Balance at 1 Jan 2017 (FRS)	30,773	18,810	(1,037)	48,546	1,948	50,494
Effect of transition to SFRS(I)s (Note 1)	-	(1,037)	1,037	-	-	-
Balance at 1 Jan 2017 (SFRS(I))	30,773	17,773	-	48,546	1,948	50,494
Total comprehensive income for the year						
Profit for the year	-	329	-	329	220	549
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	44	44	(55)	(11)
Total other comprehensive income	-	-	44	44	(55)	(11)
Total comprehensive income for the year	-	329	44	373	165	538
Transactions with owners, recognised directly in equity						
Changes in ownership interests						
Incorporation of subsidiary with non-controlling interests	-	-	-	-	603	603
Total transactions with owners	-	-	-	-	603	603
Balance at 31 Dec 2017	30,773	18,102	44	48,919	2,716	51,635
Effect on adoption of SFRS(I) 9 (Note 2)	-	(722)	-	(722)	(66)	(788)
Total comprehensive income for the year						
Profit for the year	-	402	-	402	166	568
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	89	89	(708)	(619)
Total other comprehensive income	-	-	89	89	(708)	(619)
Total comprehensive income for the year	-	402	89	491	(542)	(51)
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of first and final dividend	-	(227)	-	(227)	-	(227)
Incorporation of subsidiary with non-controlling interests	-	-	-	-	239	239
Total transactions with owners	-	(227)	-	(227)	239	12
Balance at 31 Dec 2018	30,773	17,555	133	48,461	2,347	50,808

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

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

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

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

Note 2 –
SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortised cost or fair value through other comprehensive income ("FVOCI"), except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

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

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

	Share capital	Retained earnings	Translation reserve	Total
Company	$'000	$'000	$'000	$'000
Balance at 1 Jan 2017 (FRS)	30,773	10,537	(19)	41,291
Effect of transition to SFRS(I)s (Note 1)	-	(19)	19	-
Balance at 1 Jan 2017 (SFRS(I))	30,773	10,518	-	41,291
Total comprehensive income for the year				
Loss for the year	-	(850)	-	(850)
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	9	9
Total other comprehensive income	-	-	9	9
Total comprehensive income for the year	-	(850)	9	(841)
Balance at 31 Dec 2017	30,773	9,668	9	40,450
Effect on adoption of SFRS(I) 9 (Note 2)	-	(401)	-	(401)
Total comprehensive income for the year				
Profit for the year	-	201	-	201
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	19	19
Total other comprehensive income	-	-	19	19
Total comprehensive income for the year	-	201	19	220
Transactions with owners, recognised directly in equity				
Distributions to owners				
Payment of first and final dividend	-	(227)	-	(227)
Total transactions with owners	-	(227)	-	(227)
Balance at 31 Dec 2018	30,773	9,241	28	40,042

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**

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

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

5 **CHANGES IN ACCOUNTING POLICIES**

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

In addition, during the current financial year, the Group and the Company have adopted the following new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2018:

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to SFRS(I) *Clarifications to SFRS(I) 15*
- Amendments to SFRS(I) 1-28 *Measuring an Associate or Joint Venture at Fair Value*
- Amendments to SFRS(I) 1-40 *Transfers of Investment Property*
- Amendments to SFRS(I) 1 *Deletion of short-term exemptions for first-time adopters*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

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

Please refer to the Statements of Changes in Equity for the Group and for the Company on pages 16 and 17 for further details on the quantum of the respective adjustments made in relation to SFRS(I) 1 and SFRS(I) 9.

6 **EARNINGS PER ORDINARY SHARE**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2018	2017	2018	2017
Earnings Per Ordinary Share (based on consolidated net profit attributable to owners)				
- on weighted average number of ordinary shares on issue (cents)	0.04	0.11	0.35	0.29
- on a fully diluted basis (cents)	0.04	0.11	0.35	0.29

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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Net asset value per share based on existing issued share capital as at the respective dates (cents)	44.75	45.48	35.27	35.63

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

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

Financial year 2018 vs financial year 2017

	Group			
	Financial year ended 31 Dec		Increase (Decrease)	
	2018	2017		
	$'000	$'000	$'000	%
Fish	34,614	35,168	(554)	(1.6)
Accessories	39,095	40,936	(1,841)	(4.5)
Plastics	11,958	11,720	238	2.0
	85,667	87,824	(2,157)	(2.5)

For the year ended 31 December 2018, the fish and accessories activities continued to be our core business segments, which together accounted for approximately 86.0% of the total revenue. Our overall revenue registered of $85.7 million in FY 2018 was approximately $2.1 million or 2.5% lower than that reported in FY 2017.

On a geographical basis, revenue from Singapore grew by approximately 3.3% while revenue from overseas dipped by approximately 4.7% in FY 2018 as compared to FY 2017.

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

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

4Q 2018 vs 4Q 2017

	Group		Increase (Decrease)	
	4Q 2018	4Q 2017		
	$'000	$'000	$'000	%
Fish	7,557	8,709	(1,152)	(13.2)
Accessories	9,801	10,458	(657)	(6.3)
Plastics	3,315	2,875	440	15.3
	20,673	22,042	(1,369)	(6.2)

Although the revenue from our plastics activities recorded growth in the 4th quarter of 2018, the reduction in revenue contribution from the fish and accessories segments has resulted in a decrease in our overall revenue registered in the current quarter as compared to its corresponding period in 2017.

Fish
With the sales generated from our newly incorporated subsidiaries in the Hainan Province (China), which deal in the farming of antibiotic-free edible fish, as well as our continuous efforts to increase our export of ornamental fish by diversifying to more customers and more countries around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia, it has given rise to 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 beginning of the year, which has resulted in a continuous decline in its selling price, albeit our concerted marketing efforts to sell more quantity of these fish. This has, to some extent, affected the overall fish revenue contribution in current quarter as compared to its corresponding period in 2017.

Accessories
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. Nonetheless, we saw a dip in revenue contribution from our accessories business by approximately $0.6 million or 6.3% in the current quarter as compared to its corresponding period in 2017. This was mainly a result of the disposal of our subsidiary in Shanghai during the 4th quarter of 2018, with the intention to consolidate and to streamline the Group's accessories operations in China, so as to trim down operating costs and work towards a more efficient and effective inventory management and logistic system.

Plastics
With the enlarged customer base and the sales of more varieties of plastic products, the revenue contribution from our plastic activities managed to register a steady increase of approximately $0.4 million or 15.3% in the 4th quarter of 2018 as compared to its corresponding period in 2017.

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

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

4Q 2018 vs 3Q 2018

	Group			
	4Q 2018	**3Q 2018**	**Increase (Decrease)**	
	$'000	$'000	$'000	%
Fish	7,557	8,621	(1,064)	(12.3)
Accessories	9,801	9,710	91	0.9
Plastics	3,315	3,104	211	6.8
	20,673	21,435	(762)	(3.6)

Although our accessories and plastics activities registered stable revenue in the 4th quarter of 2018 as compared to its previous quarter, the slide in our fish revenue has resulted in the decrease in overall revenue by approximately $0.7 million or 3.6% from approximately $21.4 million in the 3rd quarter of 2018 to $20.7 million in the 4th quarter of 2018.

Fish
Our fish revenue included sales generated from our newly-incorporated subsidiary 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
Revenue from accessories business remained relatively consistent in the current quarter, comparable to that of the previous quarter.

Plastics
Revenue from plastics activities continued its growth momentum into the 4th quarter of 2018. Our plastic business segment registered an improvement in revenue of approximately $0.2 million or 6.8% over the previous quarter, mainly due to an enlarged customer base and the sales of more varieties of plastic products as mentioned above.

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

(b) **Profitability**

Financial year 2018 vs financial year 2017

	Group		Increase	
	Financial year ended 31 Dec		(Decrease)	
	2018	2017		
	$'000	$'000	$'000	%
Fish	1,293	1,087	206	19.0
Accessories	1,769	1,481	288	19.4
Plastics	762	959	(197)	(20.5)
Unallocated corporate expenses	(3,049)	(2,766)	(283)	(10.2)
	775	761	14	1.8

Notwithstanding the lower revenue contribution, our operating profit held steady at approximately $0.8 million in FY 2018 as compared to FY 2017, mainly due to the improvement in profit generated from our core business segments.

4Q 2018 vs 4Q 2017

	Group		Increase	
	4Q	4Q	(Decrease)	
	2018	2017		
	$'000	$'000	$'000	%
Fish	70	243	(173)	(71.2)
Accessories	447	411	36	8.8
Plastics	236	246	(10)	(4.1)
Unallocated corporate expenses	(701)	(708)	7	1.0
	52	192	(140)	(72.9)

Fish

The reduction in profitability from the fish business in the current quarter of approximately $0.2 million or 71.2% as compared to its corresponding period in 2017 was mainly due to the considerable lower revenue registered, coupled with the swift and continuous decline in the selling price from the Dragon Fish business. The gradual increase in overall operational costs and our unwavering efforts made to retain our market share had also sliced off some profitability, which had since been reduced by the eroded margins from these fish.

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

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

4Q 2018 vs 4Q 2017 (cont'd)

Accessories
Despite the lower revenue contribution in the 4th quarter of 2018, the better profit yielded from our accessories activities in the current quarter was primarily due to our conscientious efforts made to capture more markets through the selling of more proprietary brand of innovative products with better margins.

Plastics
While we took in higher revenue from the plastic business in the current quarter, its profitability was affected by the gradual increase in overall operational costs as compared to its corresponding period in 2017.

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

4Q 2018 vs 3Q 2018

	Group		Increase (Decrease)	
	4Q 2018	3Q 2018		
	$'000	$'000	$'000	%
Fish	70	480	(410)	(85.4)
Accessories	447	429	18	4.2
Plastics	236	186	50	26.9
Unallocated corporate expenses	(701)	(769)	68	8.8
	52	326	(274)	(84.0)

Fish
The decline in profitability from our fish business in 4th quarter of 2018 as compared to the previous quarter was in line with the lower revenue contribution mainly from our edible fish 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, despite its low profit margins resulting from the continuous decline in the selling price, has constituted to the dip in profitability.

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

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

4Q 2018 vs 3Q 2018 (cont'd)

Accessories
The relatively consistent revenue registered by the accessories business in both quarters gave rise to the comparable profit registered quarter-on-quarter.

Plastics
The higher revenue registered by the plastic business in the current quarter, coupled with the difference in sales mix recorded in both periods, had given rise to the improvement in profit contribution from the 3rd quarter to the 4th quarter of 2018.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

To be the world's Number 1 ornamental fish exporter
Ornamental fish will continue to be an important core business activity of our Group. Currently, we export ornamental fish to more than 80 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 top ornamental fish exporter in the world. While we increase our efforts on expanding our export distribution network to more countries around the world, we will focus on high-growth regions such as the Middle East, Eastern Europe, China and India.

To breed Ornamental Fish of the highest value
Staying abreast of market trends that favour albino variants of the Asian Arowana, we have leveraged on our expertise in genetic breeding of unique Dragon Fish to expand our product offerings to take advantage of market demands.

We have since started the breeding of Albino Silver Arowana which, incidentally, are more productive than the Golden and Red Arowana varieties. Our expertise and experience in the breeding of these albino varieties has put us in a competitive advantage. Moving ahead, we intend to develop a whole new range of ornamental fish that are albino. We are collaborating with a team of researchers to develop this new genomic technology. We envisage that these new initiatives, which will gain pace in FY 2019, 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 among 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 HYDRA Filtron canister depurators. In addition, we 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, our Group has, in November 2017, incorporated another company in Hainan, Tian Tian Fisheries (Hainan) Co., Ltd, to farm lobsters. This newly set-up company, which is 60% owned by the Group, will also be exporting edible fish/seafood from Hainan to the Southeast Asia and importing edible fish/seafood from the rest of the world into China.

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.

10 **PROSPECTS (cont'd)**

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 would be many times bigger than our ornamental fish business. We envisage the new aquaculture business to contribute positively to our Group's results in FY 2019.

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

11 **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.

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.

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

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 2018, approximately 30% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 70% of the total revenue in FY 2018. 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.

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.

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

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.

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.

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

Product risk

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds at any one point in time is uncommon. We have institutionalised a comprehensive health management and quarantine system for all our domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for our fishes. Currently, all our domestic and overseas fish operations have attained ISO 9001 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 10% of our Group total revenue for the year ended 31 December 2018, 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.

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.

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

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 necessary impairment loss in accordance with SFRS(I).

Interest rate risk

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

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

Liquidity risk

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

Financial management risk

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

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

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

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	0.2 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	227	227
Preference	Nil	Nil
Total:	227	227

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 28 March 2019, the dividend will be paid on 25 April 2019.

12 **DIVIDEND (cont'd)**

(e) **Books closure date**

Registrable Transfers received by the Company's Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5:00 pm on 11 April 2019 will be registered before entitlements to the proposed dividend are determined. The Register of Transfer and the Register of Members of the Company will be closed on 12 April 2019 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		Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	$	$	$	$
Guarantee fee paid to a major shareholder of the Company *	30,000	31,000	27,000	31,000
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

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

Except for the above, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the financial year ended 31 December 2018.

14 **SEGMENT INFORMATION**

(a) **Business segments**

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

The Group's activities comprise the following reportable segments:
(i) Fish - includes fish farming, breeding, distribution and trading of ornamental and edible fish;
(ii) Accessories - includes manufacturing and distribution of aquarium and pet accessories;
(iii) Plastics - includes manufacturing and distribution of plastic bags; and
(iv) Others - includes Corporate Office and consolidation adjustments which are not directly attributable to a particular business segment above.

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

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

	Financial year ended 31 Dec 2018				
	Fish	**Accessories**	**Plastics**	**Others**	**Total**
Group	$'000	$'000	$'000	$'000	$'000
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:					
Bad trade receivables written off	249	-	-	-	249
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.*

Included in the Fish segment was revenue contribution and profit for the year ended 31 December 2018 of approximately $1.0 million and $0.12 million respectively in relation to the aquaculture business.

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

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

	Financial year ended 31 Dec 2017				
	Fish	**Accessories**	**Plastics**	**Others**	**Total**
Group	$'000	$'000	$'000	$'000	$'000
Revenue					
External revenue	35,168	40,936	11,720	-	87,824
Inter-segment revenue	1,753	4,860	138	(6,751)	-
Total Revenue	36,921	45,796	11,858	(6,751)	87,824
Results					
EBITDA *	2,317	1,958	1,161	(2,390)	3,046
Depreciation and amortisation	(1,218)	(479)	(198)	-	(1,895)
Interest expense	(17)	(36)	(4)	(330)	(387)
Interest income	5	2	-	-	7
	1,087	1,445	959	(2,720)	771
Share of losses of associate	-	(10)	-	-	(10)
Profit before tax	1,087	1,435	959	(2,720)	761
Tax expense	(51)	(161)	-	-	(212)
Profit for the year	1,036	1,274	959	(2,720)	549
Net profit margin	**2.9%**	**3.1%**	**8.2%**		**0.6%**
Assets and Liabilities					
Segment assets	38,070	37,120	5,039	1,405	81,634
Segment liabilities	7,015	5,324	2,152	15,508	29,999
Other Segment Information					
Expenditures for non-current assets **	4,343	431	301	-	5,075
Other non-cash items:					
Bad trade receivables written off	7	-	-	-	7
Gain on disposal of property, plant and equipment	(29)	(3)	(31)	-	(63)
Impairment loss on trade receivables	122	491	3	-	616
Write back of allowance for inventory obsolescence	-	(56)	-	-	(56)
Change in fair value less estimated point-of-sale costs of breeder stocks	6	-	-	-	6

(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)**

Group	Revenue		Segment non-current assets		Segment assets	
	Financial year ended 31 Dec		Financial year ended 31 Dec		Financial year ended 31 Dec	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	25,312	24,508	27,871	27,101	56,143	54,207
Other Asian countries	43,923	48,787	4,473	5,864	23,664	27,427
Europe	7,952	8,291	-	-	-	-
Others	8,480	6,238	-	-	-	-
Total	85,667	87,824	32,344	32,965	79,807	81,634

(c) **Major customers**

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

15 **BREAKDOWN OF REVENUE**

Group	Fish	Accessories	Plastics	Total
	$'000	$'000	$'000	$'000
4Q 2018				
Singapore (including domestic sales & sales to Singapore)	1,078	2,340	3,196	6,614
Overseas (including export to & sales in overseas)	6,479	7,461	119	14,059
Total revenue	7,557	9,801	3,315	20,673
4Q 2017				
Singapore	1,239	2,096	2,795	6,130
Overseas	7,470	8,362	80	15,912
Total revenue	8,709	10,458	2,875	22,042
Financial year ended 31 Dec 2018				
Singapore (including domestic sales & sales to Singapore)	4,730	9,047	11,535	25,312
Overseas (including export to & sales in overseas)	29,884	30,048	423	60,355
Total revenue	34,614	39,095	11,958	85,667
Financial year ended 31 Dec 2017				
Singapore	4,692	8,497	11,319	24,508
Overseas	30,476	32,439	401	63,316
Total revenue	35,168	40,936	11,720	87,824

16 REVENUE AND PROFIT CONTRIBUTION BY QUARTER

	Group		
	Financial year ended 31 Dec		Increase
	2018	2017	(Decrease)
	$'000	$'000	%
Revenue			
1st Quarter	21,610	21,575	0.2
2nd Quarter	21,949	21,725	1.0
3rd Quarter	21,435	22,482	(4.7)
4th Quarter	20,673	22,042	(6.2)
	85,667	87,824	(2.5)
Profit before tax			
1st Quarter	164	175	(6.3)
2nd Quarter	233	63	269.8
3rd Quarter	326	331	(1.5)
4th Quarter	52	192	(72.9)
	775	761	1.8
Profit attributable to owners of the Company			
1st Quarter	35	36	(2.8)
2nd Quarter	146	25	484.0
3rd Quarter	175	142	23.2
4th Quarter	46	126	(63.5)
	402	329	22.2

17 CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS

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

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

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

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
Tan Boon Kim	53	Brother-in-law of Alvin Yap Ah Seng and Andy Yap Ah Siong	Managing Director of - Thai Qian Hu Company Limited (since 2002) - P.T. Qian Hu Joe Aquatic Indonesia (since 2012) **Duties :** Oversees the business operations and business development of Thai Qian Hu Company Limited & P.T. Qian Hu Joe Aquatic Indonesia	No change
Yap Kim Choon	58	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
Lee Kim Hwat	64	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

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**
Yap Kok Cheng	40	Son of Yap Hock Huat	General Manager, China Operations (since 1 January 2016) **Duties :** Oversees and manages the overall business operations and business development in China	No change
Yap Kay Wee	40	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
Lim Yik Kiang	42	Son-in-law of Yap Hock Huat	Head of Ornamental Fish Business, China Operations (since 1 January 2016) **Duties :** Oversees and manages the ornamental 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 and Andy Yap Ah Siong, our Executive Directors. Alvin Yap Ah Seng and Andy Yap Ah Siong are brothers.

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
11 January 2019

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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 2018, 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 FS91.

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 2018 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.

KPMG

<table>
<tr><td colspan="2">Valuation of biological assets ($10.6 million)
Refer to Note 6 to the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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 has exerted 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>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 downside scenarios against 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 new internal, 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 ($29.0 million) **Refer to Note 10 to the financial statements**	
The key audit matter	***How the matter was addressed in our audit***
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, representing 34% of total trade and other receivables. $7.3 million of this amount is guaranteed by a major shareholder and director of the Company. GZQH is a former subsidiary of the Group. No loss allowance was made for these balances as of the reporting date. 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 payment track records and the guarantors, on-going business relationship with GZQH and the repayment plans agreed with it. 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 repayment plans to be reasonable and the disclosures to be appropriate.	

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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.

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.

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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
11 January 2019