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

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2020

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QIAN HU CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. : 199806124N)

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT OR LOSS**
FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group			Group		
		6 months ended 31 Dec			Financial year ended 31 Dec		
		2020	**2019**	**Change**	**2020**	**2019**	**Change**
		$'000	$'000	%	$'000	$'000	%
Revenue		42,011	38,848	8.1	75,233	76,915	(2.2)
Cost of sales		(27,446)	(26,944)	1.9	(49,956)	(53,404)	(6.5)
Gross profit		14,565	11,904	22.4	25,277	23,511	7.5
Other income	i	364	1,622	(77.6)	773	3,632	(78.7)
		14,929	13,526	10.4	26,050	27,143	(4.0)
Selling & distribution expenses	ii	(1,115)	(1,309)	(14.8)	(2,145)	(2,480)	(13.5)
General & administrative expenses	iii	(14,520)	(11,351)	27.9	(24,559)	(23,126)	6.2
Reversal of (Impairment loss) on trade receivables	iv	182	50	264.0	(135)	52	(359.6)
Results from operating activities	v	(524)	916	(157.2)	(789)	1,589	(149.7)
Finance income	vi	22	35	(37.1)	53	56	(5.4)
Finance costs	vi	(156)	(281)	(44.5)	(385)	(586)	(34.3)
(Loss) Profit before tax		(658)	670	(198.2)	(1,121)	1,059	(205.9)
Tax expense	vii	(156)	(27)	477.8	(200)	(115)	73.9
(Loss) Profit for the period/year		(814)	643	(226.6)	(1,321)	944	(239.9)
(Loss) Profit attributable to:							
Owners of the Company		**(928)**	**647**	**(243.4)**	**(1,453)**	**920**	**(257.9)**
Non-controlling interests		114	(4)	NM	132	24	450.0
(Loss) Profit for the period/year		(814)	643	(226.6)	(1,321)	944	(239.9)
Gross profit margin		34.7%	30.6%		33.6%	30.6%	
Net (loss) profit margin		(1.9%)	1.7%		(1.8%)	1.2%	
Effective tax rate					NM	7.4%	
Return on equity					(3.1%)	1.9%	

NM: Not meaningful

QIAN HU CORPORATION LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group			Group		
	6 months ended 31 Dec			Financial year ended 31 Dec		
	2020	2019	Change	2020	2019	Change
	$'000	$'000	%	$'000	$'000	%
(Loss) Profit for the period/year	(814)	643	(226.6)	(1,321)	944	(239.9)
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations, net of tax	(222)	126	(276.2)	(263)	363	(172.5)
Other comprehensive income for the period/year, net of tax	(222)	126	(276.2)	(263)	363	(172.5)
Total comprehensive income for the period/year	(1,036)	769	(234.7)	(1,584)	1,307	(221.2)
Total comprehensive income attributable to:						
Owners of the Company	**(1,093)**	**743**	**(247.1)**	**(1,683)**	**1,160**	**(245.1)**
Non-controlling interests	57	26	119.2	99	147	(32.7)
Total comprehensive income for the period/year	(1,036)	769	234.7	(1,584)	1,307	(221.2)

Notes to Statement of Profit or Loss

(i) **Other income**

Other income comprises:

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
(Loss) Gain on disposal of				
- property, plant and equipment	(3)	(7)	(3)	(7)
- intangible asset	136	-	136	-
Gain on derecognition of right-of-use assets and lease liabilites	4	-	4	-
Handling income (net)	112	1,563	440	3,533
Sundry income	115	66	196	106
	364	1,622	773	3,632

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

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

(ii) **Selling & distribution expenses** – decreased by $335K or 13.5% (FY 2020)
decreased by $194K or 14.8% (2H 2020)

The reduction in selling and distribution expenses for the financial year ended 31 December 2020 ("FY 2020") as compared to the corresponding period in 2019 was in line with the reduction in revenue contribution in FY 2020.

During the 2nd half of 2020, the selling and distribution expenses was lower despite the relatively higher sales recorded as compared to the corresponding period in 2019. This was a result of the efficiency derived from the streamlining and consolidation of the various accessories operations in China into a single location in Guangzhou as part of our backward integration exercise.

(iii) **General & administrative expenses** – increased by $1.4 million or 6.2% (FY 2020)
increased by $3.2 million or 27.9% (2H 2020)

General & administrative expenses – decreased by $0.6 million or 2.5% (FY 2020)
(exclude impairment loss on brooder stocks) increased by $1.2 million or 10.3% (2H 2020)

The decrease in general and administrative expenses (exclude impairment loss on brooder stocks) registered in FY 2020 was mainly due to lower personnel expenses incurred with the payouts and rebates received which provided wage support to employers. The total amount of such grants and credits received by the Group amounted to approximately $1.4 million in FY 2020.

In addition, the closure of international borders and the telecommuting arrangements implemented amid the Covid-19 outbreak, as well as lower business activities undertaken by the Group in the 1st half of 2020, has resulted in lower travelling and other variable operating expenses in FY 2020, as compared to its corresponding period in 2019.

The general and administrative expenses (exclude impairment loss on brooder stocks) increased in tandem with the resumption of business activities in the 2nd half of 2020, coupled with the operating expenses incurred by our newly acquired Guangzhou subsidiary in December 2019, has given rise to a higher amount of general and administrative expenses reported for that financial period.

Included in the general and administrative expenses for the 2nd half of 2020 and in FY 2020 was impairment loss on brooder stocks amounting to $2.0 million which arose from the periodic assessment of recoverable amounts based on expected future cash flows from the brooder stocks held. Revenue from the sales of certain species of Dragon Fish is expected to be affected by the reduction in production yield and declining selling prices of that species, resulting in a lower estimated recoverable value as compared to the carrying amount.

(iv) **Impairment loss on trade receivables**

The amount of impairment loss on trade receivables reversed and charged during the 2nd half of 2020 and for the year ended 31 December 2020 respectively, was in compliance with SFRS(I) 9 *Financial Instruments*, by ascertaining the amount of expected credit losses that would result from all possible default events over the expected life of these receivables.

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

(v) **Results from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Auditors' remuneration				
- auditors of the Company	59	65	125	123
- other auditors	11	10	23	23
Non-audit fees				
- other auditors	21	31	40	36
Directors' fees				
- directors of the Company	58	53	108	108
Directors' remuneration				
- directors of the Company	426	430	855	859
- directors of subsidiaries	216	213	426	401
Amortisation of intangible assets	75	75	149	149
Depreciation of				
- property, plant and equipment	1,728	1,294	3,337	2,681
- brooder stocks	120	120	240	240
Property, plant and equipment written off	**	2	3	2
Allowance for (Write back of allowance for) inventory obsolescence	188	(14)	366	17
Impairment loss on brooder stocks	2,000	-	2,000	-
Operating lease expenses	35	90	91	219
Personnel expenses * (net of grant income)	6,928	7,144	13,246	14,871
Exchange loss, net	358	186	75	41

* Include directors' remuneration.
** Amount less than $1,000.

The increase in depreciation of property, plant and equipment during the current financial periods as compared to its corresponding periods in 2019 was mainly due to depreciation charge incurred upon the recognition of additional right-of-use (ROU) assets in accordance with SFRS(I) 16 *Leases*.

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

(vi) **Finance income**
Finance costs

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Interest expense				
- bank loans and overdrafts	98	242	268	506
- bills payable to banks	3	7	8	15
- lease liabilities	55	32	109	65
	156	281	385	586
Interest income				
- bank deposits	(22)	(35)	(53)	(56)
Net finance costs	134	246	332	530

The decrease in total interest expense by approximately 44.5% and 34.3% for the 2nd half of 2020 and in FY 2020 as compared to the corresponding periods in 2019 was mainly due to lower interest rates charged by the financial institutions during the current reporting periods.

The increase in interest expenses on lease liabilities was in relation to lease liabilities taken up upon the recognition of additional right-of-use (ROU) assets.

(vii) **Tax expense**

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Current tax expense				
- current year	156	(5)	200	83
- over provision in respect of prior year	-	7	-	7
Deferred tax				
- origination and reversal of temporary differences	-	(5)	-	(5)
- under provision in respect of prior year	-	30	-	30
	156	27	200	115

The Group incurred losses for the financial year ended 31 December 2020. The current tax expense was mainly in relation to the operating profits registered by the profitable entities.

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

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

	Note	Group		Company	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
		$	$	$	$
Assets					
Property, plant and equipment	i	10,312,292	11,257,829	3,572,153	4,217,726
Intangible assets	ii	7,034,119	7,186,476	2,981,022	3,106,713
Brooder stocks	iii	8,040,112	10,280,387	8,040,112	10,280,387
Investments in subsidiaries	iv	-	-	4,023,450	3,902,070
Non-current assets		25,386,523	28,724,692	18,616,737	21,506,896
Breeder stocks	v	311,820	119,730	311,820	119,730
Inventories	vi	16,979,890	18,245,000	4,574,085	5,592,786
Trade receivables	vii	13,224,418	15,757,241	7,327,360	8,303,395
Other receivables, deposits and prepayments	viii	2,761,469	2,938,676	1,248,593	1,238,261
Due from					
- subsidiaries (trade)	ix	-	-	15,034,626	15,580,094
- subsidiaries (non-trade)		-	-	3,053,620	3,042,778
Fixed deposits		1,452,949	2,095,252	-	678,357
Cash and bank balances		17,644,974	11,689,132	10,265,172	6,822,806
Current assets		52,375,520	50,845,031	41,815,276	41,378,207
Total assets		77,762,043	79,569,723	60,432,013	62,885,103
Equity					
Share capital	x	30,772,788	30,772,788	30,772,788	30,772,788
Reserves		16,583,703	18,621,143	6,433,375	9,188,585
Equity attributable to owners of the Company		47,356,491	49,393,931	37,206,163	39,961,373
Non-controlling interests		2,378,594	2,493,407	-	-
Total equity		49,735,085	51,887,338	37,206,163	39,961,373
Liabilities					
Loans and borrowings	xi	1,272,743	1,500,419	94,457	209,313
Deferred tax liabilities		70,547	70,595	-	-
Non-current liabilities		1,343,290	1,571,014	94,457	209,313
Trade payables		5,179,632	4,847,370	2,884,958	2,042,827
Other payables and accruals	xii	5,409,774	4,645,436	3,911,280	3,502,722
Due to					
- subsidiaries (trade)		-	-	504,789	408,948
- subsidiaries (non-trade)		-	-	1,464,984	1,245,164
Loans and borrowings	xi	15,680,229	16,307,349	14,157,925	15,307,299
Current tax payable		414,033	311,216	207,457	207,457
Current liabilities		26,683,668	26,111,371	23,131,393	22,714,417
Total liabilities		28,026,958	27,682,385	23,225,850	22,923,730
Total equity and liabilities		77,762,043	79,569,723	60,432,013	62,885,103

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

	Group		Company	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Inventory turnover (days)	131	117	69	86
Trade receivables turnover (days)	64	75	67	81
Debt equity ratio	0.56	0.53	0.62	0.57

Notes to Statements of Financial Position

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

During the financial year, there was additions in property, plant and equipment mainly due to:-

- capital expenditure incurred in relation to the purchase of motor vehicles and equipment, coupled with on-going enhancements to farm facilities in Singapore and overseas; and

- recognition of additional right-of-use (ROU) assets in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 *Leases*. In compliance with SFRS(I) 16, the Group and the Company have recognised the amount of ROU assets equal to the lease liabilities. Subsequent to initial recognition, the Group and the Company depreciate the ROU assets over the shorter of the useful life of the ROU assets and the lease term, and recognise interest expenses on the lease liabilities.

The above increase was, however, offset by the depreciation charge during the financial year, resulting in a net decrease in property, plant and equipment as at 31 December 2020.

The ROU assets as at 31 December 2020 were mainly related to leases of the offices, warehouses, factories, retail spaces and farm facilities occupied by the Group in the various locations. Accordingly, there was a corresponding increase in lease liabilities (included in loans and borrowings) of approximately $1.8 million as at 31 December 2020.

Notes to Statements of Financial Position (cont'd)

(ii) **Intangible assets**

	Group		Company	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
	$	$	$	$
Trademarks/customer acquisition costs/formulation rights	3,797,806	4,051,497	3,717,806	3,971,497
Product listing fees	196,153	196,153	196,153	196,153
Goodwill on consolidation	4,046,430	4,046,430	-	-
	8,040,389	8,294,080	3,913,959	4,167,650
Less accumulated amortisation	(1,006,270)	(1,107,604)	(932,937)	(1,060,937)
	7,034,119	7,186,476	2,981,022	3,106,713

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

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

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

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

(iii) **Brooder stocks**

	Group and Company	
	31 Dec 2020	**31 Dec 2019**
	$	$
Cost		
Balance as at 1 Jan and 31 Dec	12,015,000	12,015,000
Accumulated depreciation and impairment loss		
Balance as at 1 Jan	1,734,613	1,494,337
Depreciation charge for the year	240,275	240,276
Impairment loss	2,000,000	-
Balance as at 31 Dec	3,974,888	1,734,613
Net carrying value		
Balance as at 31 Dec	8,040,112	10,280,387

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 impairment loss, if any.

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Notes to Statements of Financial Position (cont'd)

(iv) **Investments in subsidiaries**

The details of subsidiaries are as follows:

Name of subsidiary	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	%	%	$	$
Qian Hu Tat Leng Plastic Pte. Ltd. (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn. Bhd. and its subsidiary: (Malaysia)	100	100	171,951	171,951
- Qian Hu The Pet Family (M) Sdn. Bhd. (Malaysia)	100	100	-	-
Qian Hu Development Sdn. Bhd. (Malaysia)	100	100	16,000	16,000
Beijing Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu OF Feed Co., Ltd (People's Republic of China)	100	100	126,170	126,170
Guangzhou Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	69,000	69,000
Qian Hu Aquaculture (Hainan) Co., Ltd (People's Republic of China)	100	100	1,240,393	1,240,393
Tian Tian Fisheries (Hainan) Co., Ltd (People's Republic of China)	100	60	499,063	377,683
Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (People's Republic of China)	100	100	13,668	13,668
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited and its subsidiary: (Thailand)	60	60	121,554	121,554
- Advance Aquatic Co., Ltd (Thailand)	60	60	-	-
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
P.T. Qian Hu Joe Aquatic Indonesia (Indonesia)	97.25	97.25	1,357,516	1,357,516
			4,023,450	3,902,070

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

The Company has completed the acquisition of the additional 40% interest in Tian Tian Fisheries (Hainan) Co., Ltd from its non-controlling shareholder in the 2nd half of 2020 with a cash consideration of $121,380.

Notes to Statements of Financial Position (cont'd)

(v) **Breeder stocks**

	Group and Company	
	31 Dec 2020	**31 Dec 2019**
	$	$
Balance as at 1 Jan	119,730	121,260
Net increase due to births	830,670	481,770
Decreases due to sales	(638,580)	(483,300)
Balance as at 31 Dec	311,820	119,730

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 2020 was mainly due to difference in quantity and product mix in relation to the breeder stocks held as at both reporting dates.

(vi) **Inventories**

	Group		Company	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
	$	$	$	$
Fish	1,829,931	2,477,616	1,135,443	1,373,174
Accessories	14,739,165	15,213,628	4,096,642	4,511,612
Plastics products - raw materials	359,974	267,247	-	-
Plastics products - finished goods	708,820	672,299	-	-
	17,637,890	18,630,790	5,232,085	5,884,786
Less allowance for inventory obsolescence	(658,000)	(385,790)	(658,000)	(292,000)
	16,979,890	18,245,000	4,574,085	5,592,786

The decrease in fish inventory as at 31 December 2020 was mainly due to the downsizing of our Dragon Fish activities.

(vii) **Trade receivables**

	Group		Company	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
	$	$	$	$
Trade receivables	14,294,532	16,695,231	8,032,360	8,894,395
Less loss allowance	(1,070,114)	(937,990)	(705,000)	(591,000)
	13,224,418	15,757,241	7,327,360	8,303,395

Our conscientious effort made in the monitoring and collection of trade receivables balances has resulted in a decrease in the amount of trade receivables as at 31 December 2020. Accordingly, our trade receivables turnover days has improved from 75 days in FY 2019 to 64 days in FY 2020.

Notes to Statements of Financial Position (cont'd)

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

	Group		Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	$	$	$	$
Other receivables	800,106	978,959	531,876	602,245
Deposits	495,778	452,271	58,870	61,181
Prepayments	752,696	902,808	170,687	218,132
Advances to suppliers	625,496	521,357	487,160	356,703
Tax recoverable	87,393	83,281	-	-
	2,761,469	2,938,676	1,248,593	1,238,261

The decrease in other receivables, deposits and prepayments balance as at 31 December 2020 was mainly due to decrease in other receivables as a result of the receipt of proceeds arising from the disposal of a subsidiary in the previous years.

(ix) **Due from subsidiaries**

Included in due from subsidiaries is an amount due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") of approximately $9.5 million (31/12/2019: $10.3 million). The recoverability of the amount due from GZQH of approximately $7.2 million (31/12/2019: $7.2 million) is guaranteed by a major shareholder of the Company and a director of the Company.

(x) **Share capital**

	Number of shares	$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2020 and 31 Dec 2020	113,526,467	30,772,788

There was no movement in the issued and paid-up capital of the Company since 31 December 2019.

There were no outstanding convertibles as at 31 December 2020 (31/12/2019: Nil).

The Company did not hold any treasury shares as at 31 December 2020 (31/12/2019: Nil). There were no sale, transfer, disposal, cancellation and use of treasury shares during the financial year ended 31 December 2020.

Notes to Statements of Financial Position (cont'd)

(xi) **Loans and borrowings**

	Group		Company	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
	$	$	$	$
Non-current liabilities				
Lease liabilities	1,272,743	1,500,419	94,457	209,313
Current liabilities				
Short-term loans (unsecured)	14,000,000	15,000,000	14,000,000	15,000,000
Bills payable to banks (unsecured)	82,203	184,712	-	106,616
Lease liabilities	1,598,026	1,122,637	157,925	200,683
	15,680,229	16,307,349	14,157,925	15,307,299
	16,952,972	17,807,768	14,252,382	15,516,612

The decrease in loans and borrowings was mainly due to the settlement of bank term loans during the current financial year. The increase in lease liabilities resulting from the recognition of additional right-on-use (ROU) assets in FY 2020, in accordance with SFRS(I) 16 *Leases*, was substantially offset by the repayment of lease liabilities.

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 1.19% to 1.34% (31/12/2019: 2.71% to 2.95%) per annum and are repayable within the next 12 months from the reporting date.

The weighted average effective interest rates relating to bills payable to banks of the Group and of the Company are 3.18% (31/12/2019: 5.03%) and Nil (31/12/2019: 5.25%) per annum respectively. These bills mature within one to four months from the reporting date.

As at 31 December 2020, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately $1.7 million (31/12/2019: $1.7 million).

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2019 and 2020.

(xii) **Other payables and accruals**

	Group		Company	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
	$	$	$	$
Accrued operating expenses	660,746	605,223	456,355	438,773
Accrued staff costs	1,912,524	2,148,702	1,498,977	1,773,684
Other payables	2,015,146	1,495,611	1,606,875	1,112,018
Advance received from customers	591,706	395,900	152,847	178,247
Deferred grant income - Jobs Support Scheme (JSS)	229,652	-	196,226	-
	5,409,774	4,645,436	3,911,280	3,502,722

The increase in other payables and accruals as at 31 December 2020 was mainly due to the increase in payments due to non-trade suppliers.

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1(c) **STATEMENT OF CASH FLOWS**
FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2020	2019	2020	2019
	$	$	$	$
Cash flows from operating activities				
(Loss) Profit before tax	(657,149)	669,722	(1,120,635)	1,059,076
Adjustments for:				
Depreciation of				
- property, plant and equipment	1,728,433	1,293,278	3,337,076	2,680,417
- brooder stocks	120,140	120,140	240,275	240,276
Amortisation of intangible assets	74,333	74,334	148,666	148,667
Loss (Gain) on disposal of				
- property, plant and equipment	2,925	7,712	2,698	7,275
- intangible asset	(135,869)	-	(135,869)	-
Property, plant and equipment written off	278	2,044	2,804	2,084
Gain on derecognition of				
right-of-use assets and lease liabilities	(3,983)	-	(3,983)	-
(Reversal of) impairment loss on trade receivables	(181,841)	(49,528)	134,675	(51,653)
Allowance for (Write back of allowance for)				
inventory obsolescence	188,000	(14,000)	366,000	16,500
Impairment loss on brooder stocks	2,000,000	-	2,000,000	-
Interest expense	155,742	280,995	384,939	585,885
Interest income	(21,659)	(34,273)	(52,930)	(55,746)
Operating profit before working capital changes	3,269,350	2,350,424	5,303,716	4,632,781
(Increase) Decrease in:				
Inventories	882,519	384,496	508,828	1,521,335
Breeder stocks	(192,180)	570	(192,090)	1,530
Trade receivables	(191,815)	111,192	2,481,623	459,098
Other receivables, deposits and prepayments	(19,302)	268,929	201,563	796,259
Increase (Decrease) in:				
Trade payables	564,550	(575,980)	294,277	(1,360,139)
Bills payable to banks	(9,458)	(87,417)	(102,272)	(222,639)
Other payables and accruals	1,610,762	(162,616)	766,875	736,702
Cash generated from operating activities	5,914,426	2,289,598	9,262,520	6,564,927
Tax paid	(59,331)	(20,088)	(102,746)	(153,625)
Net cash from operating activities	5,855,095	2,269,510	9,159,774	6,411,302
Cash flows from investing activities				
Purchase of property, plant and equipment	(392,294)	(318,028)	(551,875)	(919,771)
Proceeds from disposal of				
- property, plant and equipment	3,080	19,262	12,299	38,550
- intangible asset	139,560	-	139,560	-
Acquisition of a subsidiary, net of cash and				
cash equivalents (Note ii)	-	137,806	-	137,806
Interest received	21,659	34,273	52,930	55,746
Net cash used in investing activities	(227,995)	(126,687)	(347,086)	(687,669)

1(c) **STATEMENT OF CASH FLOWS**
FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2020	2019	2020	2019
	$	$	$	$
Cash flows from financing activities				
Drawdown of bank term loans	-	-	1,000,000	-
Repayment of				
- lease liabilities	(841,130)	(405,862)	(1,561,428)	(948,410)
- bank term loans	(2,000,000)	(1,400,000)	(2,000,000)	(1,700,000)
Payment of dividend to				
- owners of the Company	-	-	(340,580)	(227,052)
- non-controlling interests	(105,840)	-	(105,840)	-
Acquisition of non-controlling interests	(121,380)	-	(121,380)	-
Interest paid	(156,884)	(283,197)	(396,472)	(586,237)
Net cash used in financing activities	(3,225,234)	(2,089,059)	(3,525,700)	(3,461,699)
Net increase in cash and cash equivalents	2,401,866	53,764	5,286,988	2,261,934
Cash and cash equivalents at beginning of period/year	16,693,523	13,725,685	13,784,384	11,491,413
Effect of exchange rate changes on cash balances held in foreign currencies	2,534	4,935	26,551	31,037
Cash and cash equivalents at end of period/year (Note i)	19,097,923	13,784,384	19,097,923	13,784,384

Notes to Statement of Cash Flows

(i) **Cash and cash equivalents**

Cash and cash equivalents comprise:

	Group	
	31 Dec 2020	31 Dec 2019
	$	$
Fixed deposits	1,452,949	2,095,252
Cash and bank balances	17,644,974	11,689,132
	19,097,923	13,784,384

Fixed deposits bear interest at rates ranging from 1.65% to 3.55% (2019: 1.71% to 3.55%) per annum.

Notes to Statement of Cash Flows (cont'd)

(ii) **Acquisition of subsidiary**

The attributable assets and liabilities of the subsidiary acquired and the cash flow effect of the respective acquisition is set out as follows:-

	Group	
	Financial year ended 31 Dec	
	2020	2019
	$	$
Property, plant and equipment	-	1,157,541
Inventories	-	3,869,955
Trade and other receivables	-	2,735,872
Cash and bank balances	-	151,474
Trade and other payables	-	(11,104,895)
Lease liabilities	-	(842,709)
Net liabilities acquired	-	(4,032,762)
Goodwill on acquisition	-	4,046,430
Total consideration paid	-	13,668
Net cash inflow arising from acquisition of subsidiary		
Purchase consideration paid	-	(13,668)
Cash and bank balances acquired	-	151,474
	-	137,806

In FY 2019, the Company acquired GZQH, a former subsidiary of the Group, from a non-related third party with a cash consideration of $13,668. As GZQH was in a negative net assets position at the effective date of acquisition, there was a goodwill arising on consolidation amounting to approximately $4.05 million.

(iii) Our cash and cash equivalents increased by approximately $5.3 million from a year ago.

The improvement in **net cash from operating activities** in FY 2020 as compared to the corresponding period in 2019 was mainly due to lower inventory held and the realisation of receivables into cash during the year. In addition, we were able to better manage our cash flow by extending our credit terms with our regular suppliers for purchases made.

Net cash used in investing activities was mainly related to capital expenditure incurred in relation to the purchase of motor vehicles and equipment, coupled with on-going enhancements to farm facilities in Singapore and overseas.

Net cash used in financing activities in FY 2020 was for the settlement of bank loans and lease liabilities, cash consideration for the acquisition of additional interest in a subsidiary, payment of dividend to the non-controlling shareholder of a subsidiary, as well as the servicing of interest payments on a monthly basis. In addition, there was payment of dividend made to the shareholders of the Company in April 2020.

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

Group	Share capital $	Retained earnings $	Translation reserve $	Total $	Non-Controlling interests $	Total Equity $
	Attributable to owners of the Company					
Balance at 1 Jan 2019	30,772,788	17,554,359	133,976	48,461,123	2,346,476	50,807,599
Total comprehensive income for the year						
Profit for the year	-	919,844	-	919,844	23,896	943,740
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	240,016	240,016	123,035	363,051
Total other comprehensive income	-	-	240,016	240,016	123,035	363,051
Total comprehensive income for the year	-	919,844	240,016	1,159,860	146,931	1,306,791
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of dividend	-	(227,052)	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)	-	(227,052)
Balance at 31 Dec 2019	30,772,788	18,247,151	373,992	49,393,931	2,493,407	51,887,338
Total comprehensive income for the year						
(Loss) Profit for the year	-	(1,452,709)	-	(1,452,709)	131,654	(1,321,055)
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	-	-	(230,795)	(230,795)	(32,603)	(263,398)
Total other comprehensive income	-	-	(230,795)	(230,795)	(32,603)	(263,398)
Total comprehensive income for the year	-	(1,452,709)	(230,795)	(1,683,504)	99,051	(1,584,453)
Transactions with owners, recognised directly in equity						
Distributions to owners						
Payment of dividend	-	(340,580)	-	(340,580)	(105,840)	(446,420)
Total distributions to owners	-	(340,580)	-	(340,580)	(105,840)	(446,420)
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests without a change in control	-	(10,798)	(2,558)	(13,356)	(108,024)	(121,380)
Total changes in ownership interests in subsidiaries	-	(10,798)	(2,558)	(13,356)	(108,024)	(121,380)
Total transactions with owners	-	(351,378)	(2,558)	(353,936)	(213,864)	(567,800)
Balance at 31 Dec 2020	30,772,788	16,443,064	140,639	47,356,491	2,378,594	49,735,085

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

Company	Share capital $	Retained earnings $	Translation reserve $	Total $
Balance at 1 Jan 2019	30,772,788	9,240,792	27,972	40,041,552
Total comprehensive income for the year				
Profit for the year	-	113,140	-	113,140
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	33,733	33,733
Total other comprehensive income	-	-	33,733	33,733
Total comprehensive income for the year	-	113,140	33,733	146,873
Transactions with owners, recognised directly in equity				
Distributions to owners				
Payment of dividend	-	(227,052)	-	(227,052)
Total transactions with owners	-	(227,052)	-	(227,052)
Balance at 31 Dec 2019	30,772,788	9,126,880	61,705	39,961,373
Total comprehensive income for the year				
Loss for the year	-	(2,338,976)	-	(2,338,976)
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	-	-	(75,654)	(75,654)
Total other comprehensive income	-	-	(75,654)	(75,654)
Total comprehensive income for the year	-	(2,338,976)	(75,654)	(2,414,630)
Transactions with owners, recognised directly in equity				
Distributions to owners				
Payment of dividend	-	(340,580)	-	(340,580)
Total transactions with owners	-	(340,580)	-	(340,580)
Balance at 31 Dec 2020	30,772,788	6,447,324	(13,949)	37,206,163

2 **AUDIT**

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

3 **AUDITORS' REPORT**

See attached auditors' report.

4 **ACCOUNTING POLICIES**

Other than the adoption of the amendments to SFRS(I)s as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2019.

5 **CHANGES IN ACCOUNTING POLICIES**

During the current financial year, the Group and the Company have adopted the following amendments to SFRS(I)s which took effect from the financial year beginning 1 January 2020:

- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*
- Amendments to SFRS(I) 3 *Definition of a Business*
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*

The adoption of the above amendments to SFRS(I)s is assessed to have no material financial effect on the results and financial position of the Group and of the Company for the year ended 31 December 2020. Accordingly, it has no material impact on the earnings per share of the Group and of the Company.

6 **(LOSS) EARNINGS PER ORDINARY SHARE**

	Group		**Group**	
	6 months ended 31 Dec		**Financial year ended 31 Dec**	
	2020	**2019**	**2020**	**2019**
(Loss) Earnings Per Ordinary Share (based on consolidated net (loss) profit attributable to owners)				
- on weighted average number of ordinary shares on issue (cents)	(0.82)	0.57	(1.28)	0.81
- on a fully diluted basis (cents)	(0.82)	0.57	(1.28)	0.81

(Loss) 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 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Net asset value per share based on existing issued share capital as at the respective dates (cents)	43.81	45.71	32.77	35.20

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 2020 vs financial year 2019

	Group Financial year ended 31 Dec		Increase (Decrease)	
	2020	**2019**		
	$'000	$'000	$'000	%
Fish	27,836	29,847	(2,011)	(6.7)
Accessories	39,315	35,478	3,837	10.8
Plastics	8,082	11,590	(3,508)	(30.3)
	75,233	76,915	(1,682)	(2.2)

For the year ended 31 December 2020, the fish and accessories activities continued to be our core business segments, which together accounted for approximately 89.3% of the total revenue. Our overall revenue registered of $75.2 million in FY 2020 was approximately $1.7 million or 2.2% lower than that reported in FY 2019.

On a geographical basis, revenue from Singapore dipped by approximately 7.3%, while overseas increased by approximately 0.3% in FY 2020 as compared to FY 2019.

The Covid-19 outbreak has brought challenging times for many economies. It has caused considerable disruptions to the global supply chain which has affected our exports of ornamental and edible fish, and to a lesser extent, aquarium and pets accessories during the 1st half of the year. Nonetheless, with the lifting of the border restrictions and the gradual resumption of air traffic since July 2020, we saw a retrieval in revenue contribution from our core business segments as customers restocked fish and replenished related accessories products after a prolonged void.

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

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

2H 2020 vs 2H 2019

	Group 6 months ended 31 Dec 2020	2019	Increase (Decrease)	
	$'000	$'000	$'000	%
Fish	15,951	13,850	2,101	15.2
Accessories	22,536	19,061	3,475	18.2
Plastics	3,524	5,937	(2,413)	(40.6)
	42,011	38,848	3,163	8.1

Although the revenue from our plastic activities shrunk in the 2nd half of 2020, the improvement in revenue contribution from the fish and accessories segments have resulted in an increase in overall revenue registered by approximately $3.2 million or 8.1% as compared to its corresponding period in 2019.

Fish
Our fish exports are very dependent on the operations and availability of air cargo, and with the extensive reduction of capacity and flight frequencies during the pandemic, our fish export business was severely affected. Similarly, our aquaculture business, revolved around our farms in the Hainan Province in China, was also impacted by the lockdown in China which dampened domestic demand and depressed fish fry prices. As such, our fish revenue dived during the 1st half of 2020 as compared to its corresponding period in 2019 as reported earlier.

Following the lifting of border restrictions and the gradual resumption of air traffic since July 2020, we saw a recuperation of revenue from this business segment with a stable flow of customers' orders. The resilience in the demand for fish had resulted in the elevation in revenue registered in the 2nd half of 2020, which was approximately $2.1 million or 15.2% higher than its corresponding period in 2019.

Moving ahead, we will look into the expansion and strengthening of the domestic network within each of our export hubs in Singapore, Malaysia, Thailand, Indonesia and China to mitigate the risk of global supply chain disruptions.

Accessories
The revenue registered by our accessories business increased substantially by approximately $3.5 million or 18.2% in the 2nd half of 2020 as compared to its corresponding period in 2019 mainly due to the increase in revenue from our export business as we continued to leverage on the Group's existing distribution bases & network and infrastructure available to explore more untapped markets. In addition, the efficiency derived from the consolidation of our China accessories operations, coupled with the newly acquired Guangzhou factory in December 2019 has given rise to the steady growth in accessories revenue during the current reporting period.

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

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

2H 2020 vs 2H 2019 (cont'd)

Plastics
Amidst the crisis, our plastics business benefited from the increased demand for plastics products as they were considered essential items used to enhance hygiene protocols, especially for food and beverage packaging, as well as in healthcare products and services. This was in spite of losing a major customer during the current financial year, which drove down the revenue contribution from our plastics segment.

We managed to focus on generating revenue through selling products with sustainable margins instead of entering into price war with our competitors.

(b) **Profitability**

Financial year 2020 vs financial year 2019

	Group Financial year ended 31 Dec 2020	 2019	Increase (Decrease)	
	$'000	$'000	$'000	%
Fish	302	1,857	(1,555)	(83.7)
Accessories	1,996	1,516	480	31.7
Plastics	1,268	1,135	133	11.7
Unallocated corporate expenses	(2,687)	(3,449)	762	22.1
	879	1,059	(180)	(17.0)
Impairment loss on brooder stocks	(2,000)	-	(2,000)	(100.0)
	(1,121)	1,059	(2,180)	(205.9)

Despite the improvement in profit contribution from our accessories and plastics businesses, the plunge in profitability from our fish segment, which was in line with the reduction in its revenue contribution and transhipment business, had resulted in the decline in overall operating profit (before impairment loss) by approximately $0.2 million or 17.0% in FY 2020 as compared to FY 2019.

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

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

2H 2020 vs 2H 2019

	Group		Increase	
	6 months ended 31 Dec		(Decrease)	
	2020	2019		
	$'000	$'000	$'000	%
Fish	761	1,032	(271)	(26.3)
Accessories	1,306	766	540	70.5
Plastics	544	662	(118)	(17.8)
Unallocated corporate expenses	(1,269)	(1,790)	521	29.1
	1,342	670	672	100.3
Impairment loss on brooder stocks	(2,000)	-	(2,000)	(100.0)
	(658)	670	(1,328)	(198.2)

The significant increase in profit contribution from our accessories segment has fuelled the growth in profitability (before impairment loss) in the 2nd half of 2020 as compared to its corresponding period in 2019.

Fish
Despite higher revenue contribution reported in the 2nd half of 2020, the operating profit from our fish segment was approximately $0.3 million or 26.3% lower than its corresponding period in 2019 mainly due to the difference in sales mix. In addition, there was lower handling fees derived from the handling of transhipments in relation to our aquaculture business.

As mentioned on page 3 earlier, the impairment loss on brooder stocks arose from the periodic assessment of recoverable amounts based on expected future cash flows from the brooder stocks held. As the revenue from the sales of certain species of Dragon Fish is expected to be affected by the reduction in production yield and the declining selling prices of that species, an impairment loss on brooder stocks held of $2 million was recognised during the 2nd half of 2020, being the difference between the estimated recoverable value as compared to the carrying amount as at 31 December 2020.

Accessories
The surge in the operating profit from our accessories business in the 2nd half of 2020 as compared to its corresponding period in 2019 was in line with the noticeable increase in revenue contribution as mentioned above.

Plastics
Despite the dive in revenue contribution by approximately $2.4 million or 40.6% in the 2nd half of 2020, the profit generated from the plastic activities was approximately $0.1 million or 17.8% lower as compared to its corresponding period in 2019, mainly due to improved profit margins and the difference in sales mix recorded in both periods.

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

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

2H 2020 vs 2H 2019 (cont'd)

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. The lower unallocated corporate expenses incurred in the 2nd half of 2020 as compared to the corresponding period in 2019 was mainly due to lower finance and salary related costs, as well as the payouts received under the Jobs Support Scheme (JSS) which the government co-funded between 25% to 75% of the first $4,600 of gross monthly salary paid to each local employee through cash subsidies.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

The global supply chain disruptions as a result of the outbreak of Covid-19 has stabilised as the world has increasingly learnt how to manage under a new normal. China and Singapore, as well as some other countries in the region, have also controlled the spread of the virus relative to other countries in the world. As such, we have seen the recovery of our business segments since the 2nd half of 2020.

Aquaculture business

We have successfully developed hatcheries for groupers and shrimps at our Hainan aquaculture farms, and are on track to developing a fully-integrated aquaculture farm facilities in Hainan that is able to capture the entire value chain of edible fish/seafood from breeding to farming to the table.

We have since started to grow our aquaculture footprint beyond China. In July 2020, we embarked on the commercial farming of freshwater shrimps in Desaru, West Malaysia, by engaging a contract farmer who owns 200 acres of land. This initiative followed a successful pilot project of farming mono-sex brooder stocks of freshwater shrimp at our Singapore farm. We expect our freshwater shrimp farming project in Desaru to contribute positively to the Group's results in Year 2021.

The expansion of our aquaculture business is also in line with the Singapore government's aim to produce 30% of the country's nutritional needs by Year 2030. We are in the midst of conducting proprietary research on the viable intensive production of other edible seafood in the near future. This is underpinned by our proprietary HYDROPURE filtration technology and our focus on antibiotic-free nutrition and farming methods.

We believe that the aquaculture business would be many times bigger than our current core ornamental fish segment. We expect it to be a sustainable engine of growth that will further secure Qian Hu's future.

10 **PROSPECTS (cont'd)**

Ornamental Fish business

Meanwhile, ornamental fish will continue to be the mainstay of the Group, as we grow our export of ornamental fish to more than 80 cities and countries from our export hubs in Singapore, Malaysia, Thailand, Indonesia and China. As these countries together account for between 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.

We remain committed to our long-term goal to grow our export footprint to more than 100 cities and countries, focusing on high-growth regions such as the Middle East, Eastern Europe, China and India, and to gradually increase our global market share to 10%, thereby securing our vision of being the top ornamental fish exporter in the world.

By staying vested in the latest genomic technology, we will continue to be on the cusp of the market trends, developing new varieties of Dragon Fish (Asian Arowana) as well as other species of ornamental fish with strong market demand. This will gain pace in the near future, and will improve the profitability of our ornamental fish business when launched.

Aquarium and Pet Accessories business

Strong R&D capabilities
Over the years, Qian Hu has established a stronghold in R&D which continues to drive innovation and new product development throughout the Group – whether it is breakthroughs in developing new varieties of fish, in fish nutrition, or in developing cutting-edge accessories products.

Focus on own-brands
Our proprietary brands "Ocean Free" and "OF", with its extensive range of fish tanks, lighting, filtration systems and other aquarium paraphernalia, have led the growth of our accessories segment, and we are steadfast on expanding our accessories footprint to more than 60 cities and countries globally.

Fish Nutrition & Medications
We are also committed in bringing out the best qualities in ornamental and edible fish/seafood by with nutritious feeds, as well as safe and efficacious medications. We have recently teamed up with researchers in developing yeast-based fish nutritional products on top of our existing antibiotic-free feeds.

Plastics business

Our plastics business continues to benefit from the strong demand from various sectors, particularly from the ornamental fish, food & beverage, waste management, healthcare and pharmaceutical industries. While expanding our existing customer base, we also intend to develop the e-commerce market as we move into FY 2021. These would include providing our plastics products for packing materials used for courier and online deliveries – a sector that has been growing robustly in recent times and has strong potential for further growth.

10 **PROSPECTS (cont'd)**

OUTLOOK

The full economic impact of the global pandemic, which has caused numerous disruptions to various businesses worldwide, is still unfolding. With the roll-out of vaccines in various countries in December 2020, it would seem that the worst is over for the Covid-19 pandemic, despite calls for continued caution until all countries have gained a handle on the spread of the virus.

As we move into FY 2021, we believe that the economic impact of the pandemic on our business cannot, and should not, be worse than what we have experienced in FY 2020. Qian Hu will resume its expansion plan as we expect to have more normalcy moving forward. We remain focused on our core strengths and the longer term prospects of our business. The key to the Group's success lies in our continuing ability to seize long-term opportunities and correctly identify the initiatives and investments that bring value to our stakeholders.

Barring unforeseen circumstances, the Group expects to grow its revenue while achieving profitability in FY 2021.

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 2020 approximately 38% of our Group's assets are located overseas. Revenue from our overseas' customers constitute approximately 69% of the total revenue in FY 2020. 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 processes risk

Operational processes 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, our local businesses as well as our overseas subsidiaries have attained ISO certifications to ensure the standardisation of processes and adherence to best practices. We have also achieved ISO 14001 certification for our environmental management system to preserve natural resources and minimise wastage.

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.

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 certifications, including the breeding of Dragon Fish. There is no known disease that is fatal to the Dragon Fish because of its primitive and prehistoric origin.

Although our Dragon Fish sales contributed approximately 5% of our Group total revenue for the year ended 31 December 2020, 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 an in-house integrated R&D team in Year 2009 to focus on the research of Dragon Fish breeding behaviour, product innovation technology for aquarium accessories, and new form of ornamental fish farming technology to attain product differentiation and diversification, as well as to address quality issue.

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.

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.

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 the necessary allowance for impairment loss in accordance with SFRS(I) 9 *Financial Instruments*.

Interest rate risk

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

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

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.

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

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

Derivative financial instrument risk

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

INFORMATION TECHNOLOGY RISKS

IT and cyber security risks

The increasing global incidence of cyber-attacks on organisation servers and websites demonstrates the need to reinforce and tighten the security of the Group's IT systems and to avoid breach. Our Group is imperiled to a full range risks, presented in various forms, associated with its IT system, including disruptions to the network. In addition, cyber-attacks can cause disruptions to operations and the resulted cyber thefts of sensitive and confidential information can lead to litigations and financial losses. Our Group have adopted the necessary and up-to-date IT controls and governance practices, including the strengthening of network security, such as updating security patches to the system and encrypting workstations, to alleviate these risks and have put in place the appropriate measures to ensure the continuity of business activities and the prompt recovery from an IT crisis.

Regular trainings are also conducted for users to educate and heighten awareness of cyber threats.

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	0.3 cents per ordinary share
Tax rate	One-tier tax exempt

(c) **Total annual dividend**

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

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 29 March 2021, the dividend will be paid on 26 April 2021.

12 **DIVIDEND (cont'd)**

(e) **Record date for dividend payment**

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 p.m. on 12 April 2021 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 13 April 2021 for the preparation of dividend warrants.

13 **INTERESTED PERSON TRANSACTIONS**

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

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

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2020	2019	2020	2019
	$	$	$	$
Guarantee fee paid to a major shareholder of the Company *	12,000	12,000	30,000	30,000
Consultancy fees paid to a company in which a director has a substantial interest	-	-	8,300	8,300

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

Except for the above, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group during the six months and the financial year ended 31 December 2020.

14 **SEGMENT INFORMATION**

(a) **Business segments**

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

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

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

The Group's activities comprise the following reportable segments:

(i) Fish - includes fish farming, breeding, distribution and trading of ornamental and edible fish/seafood;
(ii) Accessories - includes manufacturing and distribution of aquarium and pet accessories;
(iii) Plastics - includes manufacturing and distribution of plastic bags and related products; and
(iv) Others - includes Corporate Office and consolidation adjustments which are not directly attributable to a particular business segment above.

	Financial year ended 31 Dec 2020				
	Fish	**Accessories**	**Plastics**	**Others**	**Total**
Group	$'000	$'000	$'000	$'000	$'000
Revenue					
External revenue	27,836	39,315	8,082	-	75,233
Inter-segment revenue	1,744	9,630	118	(11,492)	-
Total Revenue	29,580	48,945	8,200	(11,492)	75,233
Results					
EBITDA *	1,765	3,816	1,816	(2,460)	4,937
Depreciation and amortisation	(1,463)	(1,737)	(526)	-	(3,726)
Interest expense	(10)	(85)	(22)	(268)	(385)
Interest income	10	2	-	41	53
	302	1,996	1,268	(2,687)	879
Impairment loss on brooder stocks	(2,000)	-	-	-	(2,000)
(Loss) Profit before tax	(1,698)	1,996	1,268	(2,687)	(1,121)
Tax expense	(104)	(70)	-	(26)	(200)
(Loss) Profit for the year	(1,802)	1,926	1,268	(2,713)	(1,321)
Net (loss) profit margin	**(6.5%)**	**4.9%**	**15.7%**		**(1.8%)**
Assets and Liabilities					
Segment assets	32,757	36,622	6,227	2,156	77,762
Segment liabilities	5,152	6,086	2,288	14,501	28,027
Other Segment Information					
Expenditures for non-current assets **	267	236	98	-	601
Other non-cash items:					
Loss (Gain) on disposal of					
- property, plant and equipment	-	-	3	-	3
- intangible asset	-	(136)	-	-	(136)
Gain on derecognition of right-of-use assets and lease liabilites	-	(4)	-	-	(4)
Property, plant and equipment written off	-	3	-	-	3
Impairment loss (Reversal of impairment loss) on trade receivables	180	(45)	-	-	135
Allowance for inventory obsolescence	20	346	-	-	366

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

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

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

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

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

(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 Financial year ended 31 Dec 2020 $'000	Revenue Financial year ended 31 Dec 2019 $'000	Segment non-current assets Financial year ended 31 Dec 2020 $'000	Segment non-current assets Financial year ended 31 Dec 2019 $'000	Segment assets Financial year ended 31 Dec 2020 $'000	Segment assets Financial year ended 31 Dec 2019 $'000
Singapore	23,342	25,190	19,980	22,237	48,489	49,278
Other Asian countries	35,598	36,435	5,407	6,488	29,273	30,292
Europe	6,283	7,441	-	-	-	-
Others	10,010	7,849	-	-	-	-
Total	75,233	76,915	25,387	28,725	77,762	79,570

(c) **Major customers**

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

15 **BREAKDOWN OF REVENUE**

Group	Fish $'000	Accessories $'000	Plastics $'000	Total $'000
2H 2020				
Singapore (including domestic sales & sales to Singapore)	2,878	5,889	3,374	12,141
Overseas (including export to & sales in overseas)	13,073	16,647	150	29,870
Total revenue	15,951	22,536	3,524	42,011
2H 2019				
Singapore	2,517	4,696	5,658	12,871
Overseas	11,333	14,365	279	25,977
Total revenue	13,850	19,061	5,937	38,848
Financial year ended 31 Dec 2020				
Singapore (including domestic sales & sales to Singapore)	4,854	10,677	7,811	23,342
Overseas (including export to & sales in overseas)	22,982	28,638	271	51,891
Total revenue	27,836	39,315	8,082	75,233
Financial year ended 31 Dec 2019				
Singapore	4,791	9,237	11,162	25,190
Overseas	25,056	26,241	428	51,725
Total revenue	29,847	35,478	11,590	76,915

16 HALF-YEARLY REVENUE AND PROFIT CONTRIBUTION

	Group		
	Financial year ended 31 Dec		Increase
	2020	2019	(Decrease)
	$'000	$'000	%
Revenue			
1st Half	33,222	38,067	(12.7)
2nd Half	42,011	38,848	8.1
	75,233	76,915	(2.2)
(Loss) Profit before tax			
1st Half	(463)	389	(219.0)
2nd Half	(658)	670	(198.2)
	(1,121)	1,059	(205.9)
(Loss) Profit attributable to owners of the Company			
1st Half	(525)	273	(292.3)
2nd Half	(928)	647	(243.4)
	(1,453)	920	(257.9)

17 CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS

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

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

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

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	42	Son of Yap Hock Huat	General Manager, China Operations (since 2016) **Duties :** Oversees and manages the Group's aquaculture business operations and the overall business development in China	No change during FY 2020 *Appointed as Group CEO with effect from 1 January 2021*

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Andy Yap Ah Siong	54	Substantial shareholder and brother of Alvin Yap Ah Seng	Division head of Qian Hu division (since 1988) **Duties :** Oversees the Group's fish business and manages the daily operations of Qian Hu division	No change
Yap Kim Choon	60	Substantial shareholder and brother of Kenny Yap Kim Lee	Division head of Wan Hu division (since 1988) **Duties :** Oversees the daily business operations of Wan Hu division	No change
Tan Boon Kim	55	Brother-in-law of Alvin Yap Ah Seng	Managing Director of - Thai Qian Hu Company Limited (since 2002) - P.T. Qian Hu Joe Aquatic Indonesia (since 2012) **Duties :** Oversees the business operations and business development of Thai Qian Hu Company Limited & P.T. Qian Hu Joe Aquatic Indonesia	No change

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lee Kim Hwat	66	Brother-in-law of Kenny Yap Kim Lee	Managing Director of Qian Hu Tat Leng Plastic Pte Ltd (since 1996) **Duties :** Oversees and manages the daily operations and business development of Qian Hu Tat Leng Plastic Pte Ltd	No change
Yap Kay Wee	42	Son of Yap Ping Heng	Head of Accessories Business, China Operations (since 2016) **Duties :** Oversees and manages the accessories business in China	No change
Lim Yik Kiang	44	Son-in-law of Yap Hock Huat	Head of Fish Business, China Operations (since 2016) **Duties :** Oversees and manages the fish business in China	No change

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

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

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman
12 January 2021

KPMG

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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 2020, 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 FS75.

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 2020 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

Valuation of biological assets
Refer to Note 5 to the financial statements

The key audit matter	*How the matter was addressed in our audit*
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. The prevailing oversupply of dragon fish continues to exert downward pressure on the selling prices of dragon fish. This presents a risk that the brooder stock balance may not be recoverable. Consequently, management conducted an annual impairment assessment on its brooder stock. This involved a comparison of the carrying value of the brooder stock to its recoverable amount determined based on the value-in-use (discounted cash flow) method. Forecasting future cash flows is a judgemental process which involves making assumptions on production yield, growth rates and determining the appropriate discount rate. As such, the recoverable amount of brooder stock is a key audit matter. Management has assessed the recoverability of the brooder stock and having considered other qualitative factors such as weather conditions and economic outlook relating to the brooder stocks, the Group recognised an impairment loss of $2 million for the financial year ended 31 December 2020.	We reviewed the key assumptions used in the cash flow projection supporting the value-in-use calculations to arrive at the recoverable amount of the brooder stock. We challenged management's estimates of the production yield and growth rates used in the cash flow projections by corroborating to past performance and/or relevant market data. We reviewed the reasonableness of the discount rate applied and assessed if it was derived based on comparable market data and contains relevant factors reflecting the current uncertainties and risks to the Group's business. We tested the mathematical accuracy of the discounted cash flow model and evaluated the sensitivity of the outcomes by considering reasonably plausible changes to the key assumptions. We evaluated the appropriateness of the relevant disclosure in relation to the valuation of biological assets.

Our findings

We found the methodology applied to be appropriate and the key assumptions used in the value in use calculation to be within range of estimates used in our evaluation.

The Group's impairment test assessments incorporated the known relevant considerations as at the reporting date. We found that the disclosure describing the inherent degree of estimation uncertainty and the sensitivity of the assumptions applied are appropriate.

KPMG

Valuation of trade and other receivables – QHCL's level **Refer to Note 8 to the financial statements**	
The key audit matter	***How the matter was addressed in our audit***
The Group completed the acquisition of Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH"), and it became a wholly-owned subsidiary of the Group in 2019. The outstanding amounts due from GZQH at QHCL's level amounted to approximately $10.3 million, of which $7.2 million was guaranteed by a major shareholder and a director of the Company. No loss allowance was made for these balances as of the last reporting date. During the year, GZQH has repaid $0.8 million and the remaining outstanding amounts due from GZQH amounted to $9.5 million of which $7.2 million was guaranteed by a major shareholder and a director of the Company. The assessment of collectability of long outstanding receivables involves significant judgement of the debtors' ability to pay and the credit worthiness of their guarantors.	We assessed the recoverability of the amounts owing by GZQH with reference to future cashflows provided by management, support from the guarantors, on-going business relationship and considered the Group's future business plan for GZQH. In addition, we reviewed the sufficiency of the disclosures in relation to the significant and long outstanding receivables.
Our findings We found management's assessment of the recoverability of trade and other receivables, which premised on the financial strength of the guarantors, on-going business relationships and the future business plans to be reasonable and the disclosures to be appropriate.	

KPMG

Impairment of goodwill **Refer to Note 6 to the financial statements**	
The key audit matter	***How the matter was addressed in our audit***
The Group has $4.05 million of goodwill as at 31 December 2020. This goodwill arises from the acquisition of GZQH in prior year. The goodwill is tested for impairment annually by estimating the recoverable amount of the cash-generating unit ("CGU"). Management applies the value-in-use (discounted cash flow) method to determine the recoverable amounts of the CGU. Forecasting future cash flow is a highly judgemental process which involves making assumptions such as revenue growth rates, margins, operating expenses and discount rates.	We evaluated the appropriateness of the CGU identified by management based on our knowledge of the business acquisition giving rise to the goodwill and our understanding of the current business of the Group. The key assumptions underlying the projected cash flows (including budgeted revenue growth, net profit margin and terminal growth) are challenged by comparing against the Group's historical performance in similar business segment, future business plans and consideration of other external and internal factors. Our valuation specialists are engaged to assess the reasonableness of the discount rate used. We tested the mathematical accuracy of the discounted cash flow and performed sensitivity analyses, focusing on plausible changes in the key assumptions or discount rates and analysed the impact to the carrying amount. We considered the appropriateness of the disclosures in the financial statements.
Our findings We found the identification of CGUs to be appropriate. The assumptions and resulting estimates were aligned with the Group's historical performance in similar business segment, future business plans and consideration of market data. CGU's key assumptions were appropriately disclosed.	

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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.

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

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

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

Report on other legal and regulatory requirements

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

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

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
12 January 2021