



**Interim Financial Information
For the Second Half and Financial Year Ended
31 December 2022**

QIAN HU CORPORATION LIMITED

Incorporated in the Republic of Singapore
Company Registration Number – 199806214N

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

INTERIM FINANCIAL INFORMATION
FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2022

STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		As at 31 Dec 2022 \$	As at 31 Dec 2021 \$	As at 31 Dec 2022 \$	As at 31 Dec 2021 \$
ASSETS					
Property, plant and equipment	3	8,264,984	8,585,515	3,724,655	3,747,518
Biological assets - brooder stocks	4	7,668,766	7,854,585	7,668,766	7,854,585
Intangible assets	5	6,783,452	6,905,452	2,737,022	2,859,022
Subsidiaries		-	-	3,524,387	4,023,450
Trade and other receivables	8	-	-	5,557,205	5,985,713
Non-current assets		22,717,202	23,345,552	23,212,035	24,470,288
Biological assets - breeder stocks	4	183,090	183,240	183,090	183,240
Financial asset at fair value through profit or loss ("FVTPL")	6	1,049,660	-	1,049,660	-
Inventories	7	15,258,387	15,980,161	4,963,213	4,391,859
Trade and other receivables	8	13,065,831	13,613,388	17,495,603	18,268,904
Cash and cash equivalents		20,116,838	21,671,287	10,986,172	12,568,403
Current assets		49,673,806	51,448,076	34,677,738	35,412,406
Total assets		72,391,008	74,793,628	57,889,773	59,882,694
EQUITY					
Share capital	9	30,772,788	30,772,788	30,772,788	30,772,788
Reserves		18,482,216	17,547,455	8,838,555	7,905,124
Equity attributable to owners of the Company		49,255,004	48,320,243	39,611,343	38,677,912
Non-controlling interests		2,295,749	2,310,722	-	-
Total equity		51,550,753	50,630,965	39,611,343	38,677,912
LIABILITIES					
Loans and borrowings	10	938,926	401,953	203,018	80,596
Deferred tax liabilities		54,444	73,272	-	-
Non-current liabilities		993,370	475,225	203,018	80,596
Loans and borrowings	10	9,863,628	13,047,489	9,130,953	12,055,789
Trade and other payables	11	9,530,070	10,174,323	8,737,002	8,860,940
Current tax payable		453,187	465,626	207,457	207,457
Current liabilities		19,846,885	23,687,438	18,075,412	21,124,186
Total liabilities		20,840,255	24,162,663	18,278,430	21,204,782
Total equity and liabilities		72,391,008	74,793,628	57,889,773	59,882,694
Inventory turnover (days)		122	121	68	67
Trade receivables turnover (days)		59	61	60	64
Debt equity ratio (times)		0.40	0.48	0.46	0.55



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group			Group		
		6 months ended 31 Dec		Change	Financial year ended 31 Dec		Change
		2022	2021		2022	2021	
		\$	\$	%	\$	\$	%
Revenue	12	37,158,459	40,288,279	(7.8)	75,265,028	80,002,685	(5.9)
Cost of sales		(25,077,637)	(26,440,290)	(5.2)	(50,821,786)	(53,185,840)	(4.4)
Gross profit		12,080,822	13,847,989	(12.8)	24,443,242	26,816,845	(8.9)
Other income	13	1,807,313	1,713,344	5.5	4,278,118	3,524,246	21.4
Selling & distribution expenses		(1,299,869)	(1,987,111)	(34.6)	(2,529,150)	(3,110,496)	(18.7)
General & administrative expenses		(11,667,061)	(11,996,074)	(2.7)	(23,888,006)	(24,213,244)	(1.3)
Reversal of (Impairment loss) on trade receivables		96,628	(271,155)	(135.6)	(91,424)	(485,195)	(81.2)
Results from operating activities		1,017,833	1,306,993	(22.1)	2,212,780	2,532,156	(12.6)
Finance income		18,465	17,014	8.5	34,842	30,766	13.2
Finance costs		(225,298)	(117,398)	91.9	(351,737)	(252,107)	39.5
Net finance costs	14	(206,833)	(100,384)	106.0	(316,895)	(221,341)	43.2
Profit before tax	15	811,000	1,206,609	(32.8)	1,895,885	2,310,815	(18.0)
Tax expense	16	(140,946)	(196,358)	(28.2)	(256,551)	(310,189)	(17.3)
Profit for the period/year		670,054	1,010,251	(33.7)	1,639,334	2,000,626	(18.1)
Profit attributable to:							
Owners of the Company		584,299	863,347	(32.3)	1,399,881	1,719,847	(18.6)
Non-controlling interests		85,755	146,904	(41.6)	239,453	280,779	(14.7)
Profit for the period/year		670,054	1,010,251	(33.7)	1,639,334	2,000,626	(18.1)
Earnings per share (cents)	17						
Basic		0.51	0.76		1.23	1.51	
Diluted		0.51	0.76		1.23	1.51	
Gross profit margin		32.5%	34.4%		32.5%	33.5%	
Net profit margin		1.8%	2.5%		2.2%	2.5%	
Effective tax rate					12.8%	12.6%	
Return on equity					2.8%	3.6%	



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>Group</u>			<u>Group</u>		
	<u>6 months ended 31 Dec</u>		<u>Change</u>	<u>Financial year ended 31 Dec</u>		<u>Change</u>
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
	\$	\$	%	\$	\$	%
Profit for the period/year	670,054	1,010,251	(33.7)	1,639,334	2,000,626	(18.1)
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations, net of tax	(27,555)	(281,376)	(90.2)	(214,133)	(715,294)	(70.1)
Foreign currency translation differences - liquidation of a subsidiary reclassified to profit or loss	(9,234)	-	(100.0)	(9,234)	-	(100.0)
Other comprehensive income for the period/year, net of tax	(36,789)	(281,376)	(86.9)	(223,367)	(715,294)	(68.8)
Total comprehensive income for the period/year	633,265	728,875	(13.1)	1,415,967	1,285,332	10.2
Total comprehensive income attributable to:						
Owners of the Company	579,089	656,471	(11.8)	1,275,340	1,190,804	7.1
Non-controlling interests	54,176	72,404	(25.2)	140,627	94,528	48.8
Total comprehensive income for the period/year	633,265	728,875	(13.1)	1,415,967	1,285,332	10.2



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STATEMENTS OF CHANGES IN EQUITY

Group	Attributable to owners of the Company				Non-Controlling interests	Total equity
	Share capital	Retained earnings	Translation reserve	Total		
	\$	\$	\$	\$	\$	\$
At 1 January 2021	30,772,788	16,443,064	140,639	47,356,491	2,378,594	49,735,085
Total comprehensive income for the year						
Profit for the year	-	1,719,847	-	1,719,847	280,779	2,000,626
Other comprehensive income						
Foreign currency translation differences - foreign operations, net of tax	-	-	(529,043)	(529,043)	(186,251)	(715,294)
Total other comprehensive income	-	-	(529,043)	(529,043)	(186,251)	(715,294)
Total comprehensive income for the year	-	1,719,847	(529,043)	1,190,804	94,528	1,285,332
Transactions with owners of the Company, recognised directly in equity						
<i>Distributions to owners</i>						
Dividends paid	-	(227,052)	-	(227,052)	(162,400)	(389,452)
Total transactions with owners of the Company	-	(227,052)	-	(227,052)	(162,400)	(389,452)
At 31 December 2021	30,772,788	17,935,859	(388,404)	48,320,243	2,310,722	50,630,965



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STATEMENTS OF CHANGES IN EQUITY (cont'd)

Group	Attributable to owners of the Company				Non-Controlling interests	Total equity
	Share capital	Retained earnings	Translation reserve	Total		
	\$	\$	\$	\$	\$	\$
At 1 January 2022	30,772,788	17,935,859	(388,404)	48,320,243	2,310,722	50,630,965
Total comprehensive income for the year						
Profit for the year	-	1,399,881	-	1,399,881	239,453	1,639,334
Other comprehensive income						
Foreign currency translation differences - foreign operations, net of tax	-	-	(115,307)	(115,307)	(98,826)	(214,133)
Foreign currency translation differences - liquidation of a subsidiary reclassified to profit or loss	-	-	(9,234)	(9,234)	-	(9,234)
Total other comprehensive income	-	-	(124,541)	(124,541)	(98,826)	(223,367)
Total comprehensive income for the year	-	1,399,881	(124,541)	1,275,340	140,627	1,415,967
Transactions with owners of the Company, recognised directly in equity						
<i>Distributions to owners</i>						
Dividends paid	-	(340,579)	-	(340,579)	(155,600)	(496,179)
Total transactions with owners of the Company	-	(340,579)	-	(340,579)	(155,600)	(496,179)
At 31 December 2022	30,772,788	18,995,161	(512,945)	49,255,004	2,295,749	51,550,753



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STATEMENTS OF CHANGES IN EQUITY (cont'd)

Company	Share capital \$	Retained earnings \$	Translation reserve \$	Total equity \$
At 1 January 2021	30,772,788	6,447,324	(13,949)	37,206,163
Total comprehensive income for the year				
Profit for the year	-	1,791,116	-	1,791,116
Other comprehensive income				
Foreign currency translation differences - foreign operations, net of tax	-	-	(92,315)	(92,315)
Total other comprehensive income	-	-	(92,315)	(92,315)
Total comprehensive income for the year	-	1,791,116	(92,315)	1,698,801
Transactions with owners of the Company, recognised directly in equity				
<i>Distributions to owners</i>				
Dividends paid	-	(227,052)	-	(227,052)
Total transactions with owners of the Company	-	(227,052)	-	(227,052)
At 31 December 2021	30,772,788	8,011,388	(106,264)	38,677,912
Total comprehensive income for the year				
Profit for the year	-	1,079,009	-	1,079,009
Other comprehensive income				
Foreign currency translation differences - foreign operations, net of tax	-	-	195,001	195,001
Total other comprehensive income	-	-	195,001	195,001
Total comprehensive income for the year	-	1,079,009	195,001	1,274,010
Transactions with owners of the Company, recognised directly in equity				
<i>Distributions to owners</i>				
Dividends paid	-	(340,579)	-	(340,579)
Total transactions with owners of the Company	-	(340,579)	-	(340,579)
At 31 December 2022	30,772,788	8,749,818	88,737	39,611,343



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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash flows from operating activities				
Profit before tax	811,000	1,206,609	1,895,885	2,310,815
Adjustments for:				
Amortisation of intangible assets	61,000	61,000	122,000	128,667
Bad trade receivables written off	42,582	40,965	26,981	207,201
(Reversal of) Impairment loss on trade receivables	(96,628)	271,155	91,424	485,195
(Write back of) Allowance for inventory obsolescence	(360,000)	125,000	(240,000)	610,000
Depreciation of				
- property, plant and equipment	1,409,367	1,618,733	2,890,625	3,282,117
- biological assets	88,897	92,765	181,687	185,527
Property, plant and equipment written off	70	-	1,466	147
(Gain) Loss on disposal of				
- property, plant and equipment	(47,178)	(698)	(51,772)	(18,829)
- biological assets	4,132	-	4,132	-
Net change in fair value - financial asset at FVTPL	(24,660)	-	(49,660)	-
Gain on derecognition of right-of-use assets and lease liabilities	-	-	-	(11,080)
Finance costs	225,298	117,398	351,737	252,107
Finance income	(18,465)	(17,014)	(34,842)	(30,766)
	2,095,415	3,515,913	5,189,663	7,401,101
Changes in:				
Inventories	1,541,934	917,374	1,557,940	86,086
Breeder stocks	150	(65,370)	150	128,580
Trade and other receivables	1,217,034	553,605	99,328	1,785,387
Trade and other payables	(361,684)	(669,100)	(516,479)	(650,564)
Cash generated from operations	4,492,849	4,252,422	6,330,602	8,750,590
Tax paid	(54,427)	(61,626)	(291,909)	(233,976)
Net cash from operating activities	4,438,422	4,190,796	6,038,693	8,516,614
Cash flows from investing activities				
Purchase of property, plant and equipment	(494,374)	(915,525)	(1,020,672)	(1,478,995)
Interest received	18,465	17,014	34,842	30,766
Proceeds from disposal of				
property, plant and equipment	52,420	3,740	57,339	21,871
Acquisition of financial asset at FVTPL	-	-	(1,000,000)	-
Net cash used in investing activities	(423,489)	(894,771)	(1,928,491)	(1,426,358)



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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND HALF AND FINANCIAL YEAR ENDED 31 DECEMBER 2022 (cont'd)

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash flows from financing activities				
Dividends paid to				
- owners of the Company	-	-	(340,579)	(227,052)
- non-controlling interests	(155,600)	(162,400)	(155,600)	(162,400)
Interest paid	(214,588)	(118,229)	(336,936)	(252,226)
Repayment of				
- lease liabilities	(672,943)	(823,307)	(1,403,788)	(1,621,633)
- bank term loans	(3,000,000)	(2,000,000)	(3,000,000)	(2,000,000)
Net cash used in financing activities	(4,043,131)	(3,103,936)	(5,236,903)	(4,263,311)
Net (decrease) increase in cash and cash equivalents	(28,198)	192,089	(1,126,701)	2,826,945
Cash and cash equivalents at beginning of period/year	20,411,645	21,570,742	21,671,287	19,097,923
Effect of exchange rate fluctuations on cash held	(266,609)	(91,544)	(427,748)	(253,581)
Cash and cash equivalents at end of period/year				
(Note i)	20,116,838	21,671,287	20,116,838	21,671,287

(i) Cash and cash equivalents comprised:

	Group	
	As at	As at
	31 Dec 2022	31 Dec 2021
	\$	\$
Short-term deposits	4,074,312	1,460,947
Cash and bank balances	16,042,526	20,210,340
	20,116,838	21,671,287



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Corporate information

Qian Hu Corporation Limited (the Company) is incorporated in the Republic of Singapore.

These condensed interim financial statements as at and for the financial year ended 31 December 2022 comprise the Company and its subsidiaries (collectively, the Group).

The principal activities of the Group and the Company are those relating to import, export, farming, breeding and distribution of ornamental/edible fishes and aquarium and pet accessories, as well as the manufacturing and distribution of aquarium accessories and plastic bags (see Notes 12 and 21).

2. Basis of preparation

2.1 Statement of compliance

The condensed interim financial statements for the financial year ended 31 December 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the performance of the Group since the last annual financial statements for the year ended 31 December 2021.

Other than the adoption of the amended standards as set out in Note 2.5, 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 2021, which were in accordance with SFRS(I)s.

2.2 Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

The condensed interim financial statements have been prepared on a going concern basis, since the directors have verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the Group’s ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the reporting period.

2.3 Functional and presentation currencies

The condensed interim financial statements are presented in Singapore dollars, which is the Company’s functional currency.

2.4 Uses of estimates and judgements

The preparation of the condensed interim financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

2.4 Uses of estimates and judgements (cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next reporting period are included in the following notes:

- Notes 4 – impairment test of biological assets: key assumptions on underlying recoverable amounts
- Note 8 – measurement of expected credit loss (ECL) allowance for trade and other receivables: key assumptions in determining the weighted-average loss rate

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a finance team led by the Finance Director that has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I)s, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (see Note 22).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

2.5 Changes in accounting policies

New standards and amendments adopted by the Group

During the current financial year, the Group and the Company have adopted the following amendments to SFRS(I)s which took effect from financial year beginning 1 January 2022:

- Amendment to SFRS(I) 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, plant and equipment – Proceeds before Intended Use*
- Amendments to SFRS(I) 37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to SFRS(I)s 2018-2020

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 ending 31 December 2022. Accordingly, it has no material impact on the earnings per share of the Group and of the Company.

3 Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$2,853,190 (2021: \$1,639,711), of which \$82,519 (2021: \$71,442) were acquired under finance leases and \$1,749,999 (2021: \$89,274) relates to right-of-use assets. Cash payments of \$1,020,672 (2021: \$1,478,995) were made to purchase property, plant and equipment.

4 Biological assets

	Group and Company	
	As at 31 Dec 2022	As at 31 Dec 2021
	\$	\$
Brooder stocks		
Cost		
At 1 January	12,015,000	12,015,000
Additions during the year	1,487,500	-
Disposals during the year	(3,934,500)	-
At 31 December	9,568,000	12,015,000
Accumulated depreciation and impairment loss		
At 1 January	4,160,415	3,974,888
Depreciation charge for the year	181,687	185,527
Disposals during the year	(2,442,868)	-
At 31 December	1,899,234	4,160,415
Net carrying amount		
At 31 December	7,668,766	7,854,585



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

4 Biological assets (cont'd)

Brooder stocks are parent stocks of dragon fish, held by the Group and the Company for use in the breeding of dragon fish. Due to the uniqueness of each dragon fish and as an active market does not exist for the brooder stocks, the brooder stocks are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The depreciation method, useful lives and residual values are reviewed at each reporting date.

	Group and Company	
	As at	As at
Breeder stocks	31 Dec 2022	31 Dec 2021
	\$	\$
At 1 January	183,240	311,820
Net increase due to births	399,210	672,630
Decreases due to sales	(399,360)	(801,210)
At 31 December	<u>183,090</u>	<u>183,240</u>

Breeder stocks are off-springs of the brooder stocks, held for trading purposes. As at the reporting date, these stocks are measured based on their fair value, which are determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier.

Impairment tests for cash-generating units (CGU) containing biological assets

The recoverable amount of the biological assets is based on value-in-use (VIU) and is determined by discounting the future cash flows to be generated from the continuing use of the CGU. No impairment loss was required for the carrying amount of biological assets as at 31 December 2022 and 31 December 2021 as the recoverable amount was in excess of the carrying amount.

Key assumptions used in the calculation of recoverable amount of biological assets are discount rates, production yield and growth rates.

Discount rate

The discount rates used are pre-tax based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific business activities.

Production yield

Management estimates the production yield based on the actual breeder production for the past 12 months adjusted for the expected production yield.

Budgeted revenue growth

The anticipated annual revenue growth included in the cash flow projections was based on past performance and its expectation for market development.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

5 Intangible assets

	Group		Company	
	As at 31 Dec 2022	As at 31 Dec 2021	As at 31 Dec 2022	As at 31 Dec 2021
	\$	\$	\$	\$
Trademarks/customer acquisition costs/formulation rights	3,797,806	3,797,806	3,717,806	3,717,806
Goodwill on consolidation	4,046,430	4,046,430	-	-
	7,844,236	7,844,236	3,717,806	3,717,806
Less Accumulated amortisation	(1,060,784)	(938,784)	(980,784)	(858,784)
	6,783,452	6,905,452	2,737,022	2,859,022

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.

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.

(i) Impairment tests for CGU containing trademarks/customer acquisition costs

The recoverable amount of the costs paid in relation to the acquisition and registration of trademarks and brands of pet food is based on the VIU and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. No impairment is required for the carrying amount of trademarks/customer acquisition costs as at 31 December 2022 and 31 December 2021 as the recoverable amount was in excess of the carrying amount.

Key assumptions used in the calculation of recoverable amounts of trademarks/customer acquisition costs are discount rates and growth rates.

Discount rate

The discount rates used are pre-tax based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific business activities.

Terminal value growth rate

Management includes five years of cash flows based on financial budgets approved by the directors in their discounted cash flow models. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for Singapore in which the division is based and the long-term compound annual growth rate in earnings before interest, taxation, depreciation and amortisation (EBITDA) estimated by management.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

5 Intangible assets (cont'd)

(i) *Impairment tests for CGU containing trademarks/customer acquisition costs (cont'd)*

Budgeted revenue growth

The anticipated annual revenue growth included in the cash flow projections was based on past performance and its expectation for market development.

(ii) *Impairment tests for goodwill arising from the business combination of Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH)*

The goodwill is attributable mainly to the synergies expected to be achieved from integrating GZQH into the Group's existing accessories business. The recoverable amount of this CGU is based on its VIU and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. No impairment loss was required for the carrying amount of goodwill as at 31 December 2022 and 31 December 2021 as the recoverable amount was in excess of the carrying amount.

Key assumptions used in discounted cash flow projection calculations used in the estimation of value in use are discount rate, growth rate and net profit margin.

Discount rate

The discount rates used are pre-tax based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific business activities.

Terminal growth rate

A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for People's Republic of China in which GZQH operates and the long-term compound annual growth rate in EBITDA estimated by management.

Net profit margin

The net profit margin is determined by comparing against the Group's historical performance in similar business segment, future business plans and consideration of other external and internal factors.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

6 Financial asset at fair value through profit or loss (“FVTPL”)

	Group and Company	
	31 Dec 2022	31 Dec 2021
	\$	\$
Non-listed debt instrument - convertible loan		
At 1 January	-	-
Additions	1,000,000	-
Net change in fair value	49,660	-
At 31 December	<u>1,049,660</u>	<u>-</u>

On 20 December 2021, the Company entered into a \$1 million unsecured convertible loan (“USCL”) agreement with AquaEasy Pte Ltd (“AquaEasy”). The USCL, paid in January 2022, bears interest at 5% per annum from the date of disbursement of the loan to AquaEasy and matures on 30 June 2023.

As at 31 December 2022, the fair value of the financial asset was valued by an independent valuation firm and the valuation techniques used to derive at the fair value is the income approach by using the Probability Weighted Expected Return Method.

The currency profile of the financial asset at FVTPL as at the end of the reporting period is Singapore dollar.

7 Inventories

	Group		Company	
	As at	As at	As at	As at
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$	\$	\$	\$
Fish	1,590,970	1,585,341	955,863	759,622
Accessories	12,350,781	13,376,392	4,007,350	3,632,237
Plastics products - raw materials	542,489	300,555	-	-
Plastics products - finished goods	774,147	717,873	-	-
	<u>15,258,387</u>	<u>15,980,161</u>	<u>4,963,213</u>	<u>4,391,859</u>



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

8 Trade and other receivables

	Group		Company	
	As at 31 Dec 2022 \$	As at 31 Dec 2021 \$	As at 31 Dec 2022 \$	As at 31 Dec 2021 \$
Trade receivables	11,984,906	12,411,248	6,906,401	6,891,279
Loss allowance	(1,557,036)	(1,544,408)	(887,000)	(884,000)
Net receivables	10,427,870	10,866,840	6,019,401	6,007,279
Deposits	635,876	540,686	188,810	71,060
Tax recoverable	88,376	73,767	-	-
Other receivables	758,170	349,332	569,344	160,058
Amount due from subsidiaries:				
- trade	-	-	12,813,411	14,057,281
- non-trade	-	-	2,892,703	3,011,020
Amortised cost	11,910,292	11,830,625	22,483,669	23,306,698
Prepayments	478,580	402,624	81,010	58,326
Advances to suppliers	676,959	1,380,139	488,129	889,593
	<u>13,065,831</u>	<u>13,613,388</u>	<u>23,052,808</u>	<u>24,254,617</u>
Non-current	-	-	5,557,205	5,985,713
Current	<u>13,065,831</u>	<u>13,613,388</u>	<u>17,495,603</u>	<u>18,268,904</u>
	<u>13,065,831</u>	<u>13,613,388</u>	<u>23,052,808</u>	<u>24,254,617</u>

Included in the amount due from subsidiaries is an amount due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (“GZQH”) of approximately \$8.8 million as at 31 December 2022 (2021: \$9.2 million).

In 2021, the Company entered into a repayment arrangement with GZQH and consequently, \$3.2 million of the outstanding amount as at 31 December 2021 was due on 31 December 2022 and the remaining amount of approximately \$6.0 million was neither planned and was not expected to be repaid within the next 12 months. During the financial year, the Company revised the repayment arrangement with GZQH whereby \$3.2 million of the outstanding amount as at 31 December 2022 is due on 31 December 2023 and the remaining amount of approximately \$5.6 million is neither planned and is not expected to be repaid within the next 12 months.

Expected credit loss (ECL) assessment

An allowance matrix was used to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

The allowance matrix is based on actual credit loss experience over the past 3 years (2021: 3 years). The ECL computed is solely derived from historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

9 Share capital

	Number of shares	\$
Fully paid ordinary shares with no par value:		
At 1 January 2022 and 31 December 2022	113,526,467	30,772,788

There was no movement in the issued and paid-up capital of the Company since 31 December 2021.

There were no outstanding convertibles as at 31 December 2022 (2021: Nil).

The Company did not hold any treasury shares as at 31 December 2022 (2021: Nil). There was no sale, transfer, disposal, cancellation and use of treasury shares during the financial year ended 31 December 2022.

10 Loans and borrowings

	Group		Company	
	As at 31 Dec 2022 \$	As at 31 Dec 2021 \$	As at 31 Dec 2022 \$	As at 31 Dec 2021 \$
Non-current liabilities				
Lease liabilities	938,926	401,953	203,018	80,596
Current liabilities				
Bank term loans (unsecured)	9,000,000	12,000,000	9,000,000	12,000,000
Bills payable to banks (unsecured)	25,607	52,266	-	-
Lease liabilities	838,021	995,223	130,953	55,789
	<u>9,863,628</u>	<u>13,047,489</u>	<u>9,130,953</u>	<u>12,055,789</u>
Total borrowings	<u>10,802,554</u>	<u>13,449,442</u>	<u>9,333,971</u>	<u>12,136,385</u>

The unsecured bank term loans are revolving bank loans that bear interest at rates ranging from 4.75% to 5.20% (2021: 1.23% to 1.52%) per annum and are repayable within the next 12 months from the reporting date.

The weighted average effective interest rate relating to bills payable to banks of the Group is 4.25 % (2021: 3.41%) per annum. These bills mature within one to three months from the reporting date.

As at 31 December 2022, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$1.7 million (2021: \$1.7 million).



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11 Trade and other payables

	Group		Company	
	As at 31 Dec 2022	As at 31 Dec 2021	As at 31 Dec 2022	As at 31 Dec 2021
	\$	\$	\$	\$
Trade payables	2,931,898	3,369,730	1,396,971	1,642,921
Accrued operating expenses	1,087,287	986,876	869,177	757,823
Accrued interest payable	21,335	6,534	21,335	6,534
Other payables	2,176,481	2,731,418	1,810,557	2,226,840
Accrued staff costs	2,744,436	2,576,382	2,344,265	2,147,501
Advance received from customers	568,633	503,383	172,440	154,987
Amounts due to subsidiaries:				
- trade	-	-	907,053	509,130
- non-trade	-	-	1,215,204	1,415,204
	<u>9,530,070</u>	<u>10,174,323</u>	<u>8,737,002</u>	<u>8,860,940</u>

12 Revenue

	Group		Group	
	6 months ended 31 Dec 2022	2021	Financial year ended 31 Dec 2022	2021
	\$	\$	\$	\$
Sales of goods				
- Fish	14,670,250	15,020,404	29,137,041	30,406,763
- Accessories	18,331,618	21,381,928	38,138,949	41,914,163
- Plastics	4,156,591	3,885,947	7,989,038	7,681,759
	<u>37,158,459</u>	<u>40,288,279</u>	<u>75,265,028</u>	<u>80,002,685</u>



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12 Revenue (cont'd)

(i) Disaggregation of revenue

The following table set out the Group's revenue disaggregated by primary geographical markets and major products. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 21).

Group	Fish		Accessories		Plastics		Total	
	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021	6 months ended 31 Dec 2022	6 months ended 31 Dec 2021
	\$	\$	\$	\$	\$	\$	\$	\$
Primary geographical markets								
Singapore	4,516,960	2,894,541	5,960,344	6,121,549	3,883,582	3,710,223	14,360,886	12,726,313
Other Asian countries	1,536,212	7,648,005	10,590,821	12,852,128	82,499	50,101	12,209,532	20,550,234
Europe	2,152,800	2,101,154	101,828	631,754	87,365	36,465	2,341,993	2,769,373
Others	6,464,278	2,376,704	1,678,625	1,776,497	103,145	89,158	8,246,048	4,242,359
	14,670,250	15,020,404	18,331,618	21,381,928	4,156,591	3,885,947	37,158,459	40,288,279

Group	Fish		Accessories		Plastics		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
Primary geographical markets								
Singapore	7,624,773	5,748,588	11,726,965	11,635,455	7,611,274	7,171,470	26,963,012	24,555,513
Other Asian countries	7,749,807	14,434,574	21,747,652	24,380,240	156,072	131,610	29,653,531	38,946,424
Europe	4,498,604	5,026,612	446,589	1,191,594	118,547	140,360	5,063,740	6,358,566
Others	9,263,857	5,196,989	4,217,743	4,706,874	103,145	238,319	13,584,745	10,142,182
	29,137,041	30,406,763	38,138,949	41,914,163	7,989,038	7,681,759	75,265,028	80,002,685

(ii) Seasonality of operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial year.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

13 Other income

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2022	2021	2022	2021
	\$	\$	\$	\$
Gain (Loss) on disposal of				
- property, plant and equipment	47,178	698	51,772	18,829
- biological assets	(4,132)	-	(4,132)	-
Gain on derecognition of				
right-of-use assets and lease liabilities	-	-	-	11,080
Net change in fair value				
- Financial asset at FVTPL	24,660	-	49,660	-
Handling income (net)	1,679,376	1,568,533	4,010,818	3,272,680
Sundry income	60,231	144,113	170,000	221,657
	1,807,313	1,713,344	4,278,118	3,524,246

14 Net finance costs

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2022	2021	2022	2021
	\$	\$	\$	\$
Interest income				
- bank deposits	18,465	17,014	34,842	30,766
Interest expense				
- bank loans and overdrafts	(198,421)	(85,326)	(295,316)	(174,364)
- bills payable to banks	(1,570)	(2,130)	(3,784)	(3,777)
- lease liabilities	(25,307)	(29,942)	(52,637)	(73,966)
	(225,298)	(117,398)	(351,737)	(252,107)
Net finance costs	(206,833)	(100,384)	(316,895)	(221,341)



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

15 Profit before tax

The followings items have been included in arriving at profit before tax:

	Group		Group	
	6 months ended 31 Dec		Financial year ended 31 Dec	
	2022	2021	2022	2021
	\$	\$	\$	\$
(Write back of) Allowance for inventory obsolescence	(360,000)	125,000	(240,000)	610,000
Auditors' remuneration				
- auditors of the Company	89,000	77,000	158,000	138,000
- other auditors	9,973	11,293	20,976	23,067
Non-audit fees				
- auditors of the Company	100,000	-	100,000	-
- other auditors	27,090	18,237	34,217	27,047
Directors' fees				
- directors of the Company	40,000	47,000	80,000	87,000
Bad trade receivables written off	42,582	40,965	26,981	207,201
Depreciation of				
- property, plant and equipment	1,409,367	1,618,733	2,890,625	3,282,117
- biological assets	88,897	92,765	181,687	185,527
Amortisation of intangible assets	61,000	61,000	122,000	128,667
Exchange loss (gain), net	396,810	(317,391)	178,740	(508,212)
Short term leases	87,089	32,533	125,937	103,696
Property, plant and equipment written off	70	-	1,466	147
Staff costs				
- salaries and bonus*	6,121,642	6,570,407	13,312,649	13,084,048
- provident fund contributions*	446,275	441,678	904,085	879,738
- staff welfare benefits	567,229	568,913	1,116,232	1,106,426
- foreign worker levy	202,947	201,614	394,655	399,167

* Include directors' remuneration.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

16 Tax expense

	Group		Group	
	6 months ended 31 Dec 2022	2021	Financial year ended 31 Dec 2022	2021
	\$	\$	\$	\$
Current tax expense				
Current year	130,940	175,204	246,538	289,035
Under provision in respect of prior year	27,763	18,240	27,770	18,240
Deferred tax (credit) expense				
- origination and reversal of temporary differences	(4,523)	2,914	(4,523)	2,914
- under provision in respect of prior year	(13,234)	-	(13,234)	-
	<u>140,946</u>	<u>196,358</u>	<u>256,551</u>	<u>310,189</u>

17 Earnings per share

	Group		Group	
	6 months ended 31 Dec 2022	2021	Financial year ended 31 Dec 2022	2021
Profit attributable to owners of the Company (\$)	<u>584,299</u>	<u>863,347</u>	<u>1,399,881</u>	<u>1,719,847</u>
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	<u>113,526,467</u>	<u>113,526,467</u>	<u>113,526,467</u>	<u>113,526,467</u>
Basic earnings per share (cents)	<u>0.51</u>	<u>0.76</u>	<u>1.23</u>	<u>1.51</u>

The calculation of basic earnings per share was based on profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding.

The Group has no dilution in its per share as at 31 December 2022 and 31 December 2021.

18 Net asset value per share

	Group		Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Net asset value per share based on existing issued share capital as at the respective dates (cents)	<u>43.39</u>	<u>42.56</u>	<u>34.89</u>	<u>34.07</u>

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



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19 Dividends

The directors have proposed a final dividend of \$0.003 (2021: \$0.003) per ordinary share, one-tier exempt, totalling \$340,579 (2021: \$340,579) in respect of the financial year ended 31 December 2022. This proposed final tax-exempt dividend has not been recognised as at year end and will be submitted to shareholders' approval at the forthcoming Annual General Meeting of the Company in 2023.

During the financial year, there was dividend paid by a subsidiary to non-controlling interests amounting to \$155,600 (2021: \$162,400).

20 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").

There was no interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered by the Group during the half year ended 31 December 2022.

21 Operating segments

(a) Business segments

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

The Group's activities comprise the following reportable segments:

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



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

21 Operating segments (cont'd)

(a) Business segments (cont'd)

Group	Financial year ended 31 Dec 2022				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	29,137	38,139	7,989	-	75,265
Inter-segment revenue	3,339	7,792	193	(11,324)	-
Total Revenue	32,476	45,931	8,182	(11,324)	75,265
Results					
EBITDA *	4,926	2,560	1,124	(3,203)	5,407
Depreciation and amortisation	(1,241)	(1,393)	(537)	(23)	(3,194)
Interest expense	(2)	(44)	(11)	(295)	(352)
Interest income	4	3	-	28	35
Profit before tax	3,687	1,126	576	(3,493)	1,896
Tax expense	(228)	(31)	25	(23)	(257)
Profit for the year	3,459	1,095	601	(3,516)	1,639
Net profit margin	11.9%	2.9%	7.5%		2.2%
Assets and Liabilities					
Segment assets	33,674	30,607	4,703	3,407	72,391
Segment liabilities	5,535	4,591	976	9,738	20,840
Other Segment Information					
Expenditures for non-current assets **	440	352	115	196	1,103
Other non-cash items:					
Bad trade receivables written off	24	3	-	-	27
(Gain) Loss on disposal of					
- property, plant and equipment	(6)	(46)	***	-	(52)
- biological assets	4	-	-	-	4
Property, plant and equipment written off	1	-	-	-	1
Impairment loss on trade receivables	63	28	-	-	91
Write back of allowance for inventory obsolescence	-	(240)	-	-	(240)

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

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

*** Amount less than \$1,000.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

21 Operating segments (cont'd)

(a) Business segments (cont'd)

Group	Financial year ended 31 Dec 2021				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
Revenue					
External revenue	30,407	41,914	7,682	-	80,003
Inter-segment revenue	1,693	9,725	161	(11,579)	-
Total Revenue	32,100	51,639	7,843	(11,579)	80,003
Results					
EBITDA *	4,124	3,377	1,351	(2,724)	6,128
Depreciation and amortisation	(1,345)	(1,675)	(576)	-	(3,596)
Interest expense	(6)	(48)	(24)	(174)	(252)
Interest income	3	2	-	26	31
Profit before tax	2,776	1,656	751	(2,872)	2,311
Tax expense	(211)	(70)	-	(29)	(310)
Profit for the year	2,565	1,586	751	(2,901)	2,001
Net profit margin	8.4%	3.8%	9.8%		2.5%
Assets and Liabilities					
Segment assets	34,888	32,870	5,246	1,790	74,794
Segment liabilities	6,259	3,854	1,514	12,536	24,163
Other Segment Information					
Expenditures for non-current assets **	920	612	18	-	1,550
Other non-cash items:					
Bad trade receivables written off	82	125	-	-	207
(Gain) Loss on disposal of property, plant and equipment	(9)	(12)	2	-	(19)
Gain on derecognition of right-of-use assets and lease liabilities	(6)	(5)	-	-	(11)
Property, plant and equipment written off	-	***	-	-	***
Impairment loss on trade receivables	181	304	-	-	485
Allowance for inventory obsolescence	-	610	-	-	610

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

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

*** Amount less than \$1,000.



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21 Operating segments (cont'd)

(b) Geographical segments

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

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

	Revenue		Segment non-current assets		Segment assets	
	Financial year		Financial year		Financial year	
	2022	2021	2022	2021	2022	2021
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	26,963	24,556	18,567	19,298	47,328	47,991
Other Asian countries	29,653	38,946	4,150	4,048	25,063	26,803
Europe	5,064	6,359	-	-	-	-
Others	13,585	10,142	-	-	-	-
Total	75,265	80,003	22,717	23,346	72,391	74,794

(c) Major customers

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



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

22 Fair value management

(i) Accounting classification and fair values

The carrying amounts of financial assets and financial liabilities are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Mandatorily at FVTPL	Amortised cost	Other financial liabilities	Total carrying amount
	\$	\$	\$	\$
Group				
31 Dec 2022				
Financial assets measured at fair value				
Financial assets at FVTPL	1,049,660	-	-	1,049,660
Financial assets not measured at fair value				
Trade and other receivables#	-	11,910,292	-	11,910,292
Cash and cash equivalents	-	20,116,838	-	20,116,838
	-	32,027,130	-	32,027,130
Financial liabilities not measured at fair value				
Lease liabilities	-	-	(1,776,947)	(1,776,947)
Bank term loans	-	-	(9,000,000)	(9,000,000)
Bills payable to banks	-	-	(25,607)	(25,607)
Trade and other payables*	-	-	(8,961,437)	(8,961,437)
	-	-	(19,763,991)	(19,763,991)
31 Dec 2021				
Financial assets not measured at fair value				
Trade and other receivables#	-	11,830,625	-	11,830,625
Cash and cash equivalents	-	21,671,287	-	21,671,287
	-	33,501,912	-	33,501,912
Financial liabilities not measured at fair value				
Lease liabilities	-	-	(1,397,176)	(1,397,176)
Bank term loans	-	-	(12,000,000)	(12,000,000)
Bills payable to banks	-	-	(52,266)	(52,266)
Trade and other payables*	-	-	(9,670,940)	(9,670,940)
	-	-	(23,120,382)	(23,120,382)

Excludes prepayments and advances to suppliers.

* Excludes advance received from customers.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

22 Fair value management (cont'd)

(i) Accounting classification and fair values (cont'd)

	Mandatorily at FVTPL	Amortised cost	Other financial liabilities	Total carrying amount
	\$	\$	\$	\$
Company				
31 Dec 2022				
Financial assets measured at fair value				
Financial assets at FVTPL	1,049,660	-	-	1,049,660
Financial assets not measured at fair value				
Trade and other receivables#	-	22,483,669	-	22,483,669
Cash and cash equivalents	-	10,986,172	-	10,986,172
	-	33,469,841	-	33,469,841
Financial liabilities not measured at fair value				
Lease liabilities	-	-	(333,971)	(333,971)
Bank term loans	-	-	(9,000,000)	(9,000,000)
Trade and other payables*	-	-	(8,564,562)	(8,564,562)
	-	-	(17,898,533)	(17,898,533)
31 Dec 2021				
Financial assets not measured at fair value				
Trade and other receivables#	-	23,306,698	-	23,306,698
Cash and cash equivalents	-	12,568,403	-	12,568,403
	-	35,875,101	-	35,875,101
Financial liabilities not measured at fair value				
Lease liabilities	-	-	(136,385)	(136,385)
Bank term loans	-	-	(12,000,000)	(12,000,000)
Trade and other payables*	-	-	(8,705,953)	(8,705,953)
	-	-	(20,842,338)	(20,842,338)

Excludes prepayments and advances to suppliers

* Excludes advance received from customers



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

22 Fair value management (cont'd)

(ii) *Measurement of fair values*

The Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Financial assets at fair value through profit or loss ("FVTPL")

The fair value of the financial asset is its expected value based on the probability weighted average present value of expected future net cash flows, considering each of the possible future events and the terms under the various situations.

Interest-bearing bank loans

The carrying value of interest-bearing bank loans that reprice within six months of the reporting date is assumed to approximate their fair values.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, bills payable to banks and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Biological assets - breeder stocks

Breeder stocks are the off-springs of brooder stocks, held for trading purposes. The holding period of these breeder stocks is usually 2 to 3 months before they are put up for sale. As at the reporting date, these stocks are measured based on their fair value less estimated point-of-sale costs, with any change therein recognised in profit or loss. The fair value is determined based on the age, breed and genetic merit of similar fish that can be purchased from suppliers. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.



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SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS (cont'd)

22 Fair value management (cont'd)

(iii) Measurement of fair values

Fair value hierarchy

The table below analyses the fair value measurements for recurring financial assets and non-financial assets and the level in the fair value hierarchy based on the inputs used in the valuation techniques. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Group and Company				
31-Dec-22				
Unsecured convertible loan	–	–	1,049,660	1,049,660
Breeder stocks	–	–	183,090	183,090
	–	–	<u>1,232,750</u>	<u>1,232,750</u>
31-Dec-21				
Breeder stocks	–	–	183,240	183,240

The Group's policy is to recognise transfers out of Level 3 as of the end of the reporting period during which the transfer occurred.

There were no transfers or reclassifications between various levels in the fair value hierarchy during the financial year.

23 Commitment

In December 2021, the Company obtained approval from the relevant authorities for the increase in the registered capital of its wholly owned subsidiary, GZQH, by approximately USD1.0 million (equivalent to \$1.34 million).

As at 31 December 2022, the Company has not made any capital contribution into this subsidiary.

24 Subsequent events

There were no known subsequent events which have led to adjustments to this set of condensed interim financial statements.



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OTHER INFORMATION

AUDIT

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

AUDITORS' REPORT

See attached auditors' report.

REVIEW OF GROUP PERFORMANCE

Consolidated Statement of Profit or Loss

(a) **Revenue by business segment**

Financial Year 2022 vs Financial Year 2021

	Group		Increase	
	Financial year ended 31 Dec	Financial year ended 31 Dec	(Decrease)	
	2022	2021	\$'000	%
	\$'000	\$'000		
Fish	29,137	30,407	(1,270)	(4.2)
Accessories	38,139	41,914	(3,775)	(9.0)
Plastics	7,989	7,682	307	4.0
	<u>75,265</u>	<u>80,003</u>	<u>(4,738)</u>	<u>(5.9)</u>

For the year ended 31 December 2022, the fish and accessories activities continued to be our core business segments, which together accounted for approximately 89.4% of the total revenue. The overall revenue registered of \$75.3 million in FY 2022 was approximately \$4.7 million or 5.9% lower than that reported in FY 2021. The reduction in revenue contribution from both the fish and accessories segments have resulted in a decrease in the Group's overall revenue.

On a geographical basis, revenue from Singapore grew by 9.8%, while revenue from overseas dipped by 12.9% in FY 2022 as compared to FY 2021.



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OTHER INFORMATION (cont'd)

REVIEW OF GROUP PERFORMANCE (cont'd)

(a) **Revenue by business segment (cont'd)**

6 months ended 31 December 2022 vs 6 months ended 31 December 2021

	Group		Increase	
	6 months ended 31 Dec	6 months ended 31 Dec	(Decrease)	
	2022	2021	(Decrease)	%
	\$'000	\$'000	\$'000	%
Fish	14,670	15,021	(351)	(2.3)
Accessories	18,332	21,382	(3,050)	(14.3)
Plastics	4,156	3,886	270	6.9
	37,158	40,289	(3,131)	(7.8)

Fish

On the ornamental fish front, the on-going Russia-Ukraine conflict and the geopolitical landscape continued to affect our fish exports to Russia and dampened the purchase sentiments of our customers in the surrounding region to a certain extent has resulted in a relatively lower revenue reported during the 2nd half of 2022 as compared to the pre-war days in FY 2021.

Nonetheless, our aquaculture business, revolved around our farms in the Hainan Province in China, which was previously impacted by the extensive reduction in air cargo capacity and flight frequencies amidst the pandemic, saw a recuperation of revenue from this business segment with a stable flow of customers' orders in the 2nd half of 2022 following the gradual resumption of air traffic since June 2022. This has alleviated the impact of the reduction in revenue contribution from the export of ornamental fish as mentioned above.

Although the above has given rise to an overall decline in the revenue contribution from our fish segment by \$0.4 million or 2.3% in the current financial period as compared to its corresponding period in 2021, we will continue our efforts to increase our export of ornamental fish by diversifying to more customers and more countries around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia.

Accessories

Similarly for the accessories segment, our business activities in Guangzhou (China) were severely affected by the pandemic lockdown imposed by the local government to help limit the spread of Covid-19 infections, coupled with the weakened and conservative purchasing sentiments globally due to trade disruptions, geopolitical tensions and economic uncertainties, had resulted in the dive in our accessories revenue by approximately \$3.1 million or 14.3% in the current financial period as compared to its corresponding period in 2021.

Plastics

Revenue from our plastics activities registered stable growth of \$0.3 million or 6.9% in the current financial period as compared its corresponding period in 2021. We managed to stabilise our customer base, focusing on generating revenue through selling products with sustainable margins, such as essential items used to enhance hygiene protocols for the food and beverage packing and healthcare sectors.



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OTHER INFORMATION (cont'd)

REVIEW OF GROUP PERFORMANCE (cont'd)

- (b) **Other income** mainly consists of handling income derived from the handling of transhipments in relation to our aquaculture business. The increase in handling income was in tandem with the increase in aquaculture business activities during the current financial year.
- (c) The decrease in **selling and distribution expenses** by approximately \$0.7 million or 34.6% and \$0.6 million or 18.7% in the 2nd half of 2022 and for the financial year ended 31 December 2022 respectively as compared to the corresponding periods in 2021 was in tandem with the reduction in revenue contribution in FY 2022, and that there were also fewer marketing and promotion activities undertaken by the Group during the current financial year.
- (d) Notwithstanding the higher personnel expenses due to the increase in headcount and annual salary revision, the adverse foreign currency exchange rates, coupled with a broad-spectrum increase in operating costs as a result of elevated inflationary pressure, the overall **general and administrative expenses** remained relatively stable at approximately \$12 million and \$24 million in the 2nd half of 2022 and for the financial year ended 31 December 2022 respectively as compared to its corresponding periods in 2021, as the increases were offset by lower amount of allowance for inventory obsolescence, lower impairment loss recognised on trade receivables, as well as lower depreciation charge incurred during the current financial year.
- (e) The **impairment losses on trade receivables** were derived at by ascertaining the amount of expected credit losses that would result from all possible default events over the expected life of these receivables during both periods, which was in compliance with SFRS(I) 9 *Financial Instruments*.
- (f) The increase in **net finance costs** by \$106K or 106.0% and \$96K or 43.2% in the 2nd half of 2022 and for the financial year ended 31 December 2022 respectively as compared to the corresponding periods in 2021 was mainly due to the increase in interest expenses on bank borrowings, following the rising interest rates charged by the financial institutions, despite lower outstanding amounts during the current financial period.
- (g) The effective tax rate registered for the financial year ended 31 December 2022 was lower than the amount obtained by applying the statutory tax rate of 17% on profit before tax mainly due to the utilisation of tax credits.

The **tax expense** was mainly in relation to the operating profits registered by the profitable entities within the Group.



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OTHER INFORMATION (cont'd)

REVIEW OF GROUP PERFORMANCE (cont'd)

(h) **Profit before tax by business segment**

Financial Year 2022 vs Financial Year 2021

	Group		Increase (Decrease)	
	Financial year ended 31 Dec			
	2022	2021	\$'000	%
Fish	3,687	2,776	911	32.8
Accessories	1,126	1,656	(530)	(32.0)
Plastics	576	751	(175)	(23.3)
Unallocated corporate expenses	(3,493)	(2,872)	(621)	(21.6)
	<u>1,896</u>	<u>2,311</u>	<u>(415)</u>	<u>(18.0)</u>

The reduction in operating profit from our accessories and plastic activities were mitigated by the considerable improvement in profit generated from our fish and aquaculture activities in FY 2022 as compared to FY 2021.

6 months ended 31 December 2022 vs 6 months ended 31 December 2021

	Group		Increase (Decrease)	
	6 months ended 31 Dec			
	2022	2021	\$'000	%
Fish	1,996	1,452	544	37.5
Accessories	544	852	(308)	(36.2)
Plastics	328	304	24	7.9
Unallocated corporate expenses	(2,057)	(1,401)	(656)	(46.8)
	<u>811</u>	<u>1,207</u>	<u>(396)</u>	<u>(32.8)</u>

Fish

Despite the marginal reduction in revenue registered by the fish business, the noticeable higher handling fees derived from the handling of transhipments in relation to our aquaculture business has lifted the profitability of this segment in the 2nd half of 2022 as compared to its corresponding period in 2021.

Accessories

The decrease in operating profit from our accessories business by approximately \$0.3 million or 36.2% in the 2nd half of 2022 as compared to its corresponding period in 2021 was in line with the decline in revenue contribution during the current financial period.



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OTHER INFORMATION (cont'd)

REVIEW OF GROUP PERFORMANCE (cont'd)

(h) **Profit before tax by business segment**

6 months ended 31 December 2022 vs 6 months ended 31 December 2021 (cont'd)

Plastics

With the higher revenue registered in the 2nd half of 2022, the profitability of the plastics business improved gradually as compared to its corresponding period in 2021.

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 higher unallocated corporate expenses incurred in the 2nd half of 2022 as compared to its corresponding period in 2021 was mainly due to the increase in corporate headcount, escalating finance costs, adverse foreign currency exchange rates, coupled with resources invested to enhance and consummate the Group's sustainability reporting efforts.

Consolidated Statement of Financial Position

Total assets (Group) as at 31 December 2022 were \$72.4 million, decreased by approximately \$2.4 million from \$74.8 million as at 31 December 2021.

The reduction was due to –

- decrease in property, plant and equipment and biological assets by approximately \$0.5 million as a result of depreciation charge during the financial year, despite there were capital expenditure incurred in relation to the purchase of equipment and ongoing enhancements made to the farm and other facilities in Singapore and overseas, as well as the recognition of additional right-of-use (ROU) assets in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) 16 *Leases*.
- decrease in trade and other receivables outstanding by \$0.6 million as a result of our conscientious efforts made in the monitoring and collection of trade receivables outstanding throughout the financial year. Accordingly, the trade receivables turnover days has improved from 61 days as at 31 December 2021 to 59 days as at 31 December 2022. This was, however, partially offset by the outstanding proceeds from the liquidation of a subsidiary completed in end December 2022 of approximately \$0.2 million.
- decrease in inventory by \$0.7 million as a result of the continuous review carried out to streamline our inventory management process so as to better and effectively manage our inventory holding.
- decrease in cash and cash equivalents of approximately \$1.6 million utilised for the repayment of bank borrowings during the current financial year.

The above decreases were partially offset by the increase in unsecured convertible loan amounted to \$1.0 million granted to AquaEasy Pte Ltd in January 2022.



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OTHER INFORMATION (cont'd)

REVIEW OF GROUP PERFORMANCE (cont'd)

Consolidated Statement of Financial Position (cont'd)

Total liabilities (Group) as at 31 December 2022 were \$20.8 million, decreased by approximately \$3.3 million from \$24.1 million as at 31 December 2021.

The reduction was due to –

- decrease in loans and borrowings by approximately \$2.7 million resulting from the repayment of bank borrowings of \$3.0 million in FY 2022, partially offset by the increase in lease liabilities upon the recognition of additional ROU assets during the current financial year, despite there were repayments made on lease liabilities on a monthly basis.
- decrease in trade and other payables by approximately \$0.6 million upon the settlement of trade liabilities and non-trade suppliers during the current financial year.

Consolidated Statement of Cash Flows

The reduction in **net cash from operating activities** during the 2nd half of 2022 and for the financial year ended 31 December 2022 as compared to its corresponding periods in 2021 was mainly due to lower operating profit registered, coupled with a lower amount of trade receivables realised into cash during the current financial year.

Net cash used in investing activities was mainly related to capital expenditure incurred for the purchase of equipment, as well as ongoing enhancements made to the farm and other facilities in Singapore and overseas. In addition, there was an unsecured convertible loan granted to AquaEasy Pte Ltd in January 2022.

Net cash used in financing activities was for the settlement of bank loans and lease liabilities, 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 2022.

VARIANCE FROM PROSPECT STATEMENT

There is no variance from the previous prospect statement released via the SGXNET on 19 July 2022.

PROSPECTS

Having pandemic issues pretty much out of the way, the world is now grappling with geopolitical issues, such as the Russia-Ukraine conflict and serious macro-economic concerns such as inflation, which brought about interest rate interventions from the US Federal Reserve and other central banks around the world. This resulted in significantly higher business costs, such as increasing inventory costs, rising finance expenses, as well as the surge in energy prices, etc, which could continue to affect the Group's short-term profitability.



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OTHER INFORMATION (cont'd)

PROSPECTS (cont'd)

Nonetheless, we envisage that the growth momentum of our business segments will continue into Year 2023 as markets gradually recover.

Aquaculture business

Our Aquaculture business continues to make progress and we hope to explore for more opportunities in expanding our trading of seafood aquaculture products, particularly in Southeast Asia.

The Group's Aquaculture business is based on our patented Hydro-Pure technology whose superlative filtration capability is able to develop a super-intensive shrimp farming model which achieves higher levels of success in shrimp production compared to traditional methods. Furthermore, with our strategic partnership with Bosch's AquaEasy Pte Ltd ("AquaEasy"), we are able to further enhance our system's predictability and productivity, not only for shrimp farming, but also to other aquaculture species, ornamental fish and aquaponics.

AquaEasy uses artificial intelligence (AI) and Internet of Things (IoT)-based solutions to facilitate increased productivity, predictivity and implement sustainable aquaculture practices while reducing risks and costs. Apart from Qian Hu, AquaEasy's AI solution has also been successfully deployed at other aquaculture farms in Vietnam and Indonesia. Our collaboration with AquaEasy will also enable us to cross-sell to our markets in Malaysia, Thailand and China where we have domain expertise.

Ornamental Fish business

Meanwhile, ornamental fish will continue to be an important core business 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 are committed to our long-term goal of expanding 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 gradually increasing our global market share to 10%, thereby securing our vision of being the top ornamental fish exporter in the world.

Aquarium and Pet Accessories business

Strong R&D capabilities

With our stronghold in innovation and new product development across the Group, we continue to strive for breakthroughs in developing new varieties of nutrition and cutting-edge accessories products.

Focus on own brands

Our proprietary brands "Ocean Free" and "OF", with their extensive range of fish tanks, lightings, filtration systems and other aquarium paraphernalia, have led the growth of our accessories segment, and we strive to increase our reach to more than 60 cities and countries.

Develop fish nutrition & medications

We are also committed to developing the best-in-class products in nutritional and healthcare products for ornamental and edible fish/seafood. We are working with researchers in developing yeast-based fish nutritional products that complement our existing antibiotic-free feeds.



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OTHER INFORMATION (cont'd)

PROSPECTS (cont'd)

Expand pet accessories segment

Since the start of the pandemic, the dog, cats and small animals' segment within the pet industry has been growing significantly, partly due to the work-from-home trend. As such, we intend to ride on this rising demand by expanding the range of our pet foods, medications and accessories products for export and the domestic markets. Over the years, Qian Hu has since developed a few pet accessories brands, but they have largely been complementary to our mainstay ornamental fish business. With the growing interests in this space, the pet accessories segment is likely to be another growth driver for the Group, focusing primarily on Singapore and Southeast Asia region.

OUTLOOK

As we move into FY 2023, we expect the overall business environment to remain challenging, with uncertainties such as when and how the Russia-Ukraine war end and how inflation would pan out globally. We are, however, hopeful that the recent steps that China has taken to relax its zero-Covid policies and border measures are positive signals that the country is reopening its economy. These are encouraging for businesses, such as Qian Hu, as China's zero-Covid policies had significantly hampered our operations in the country.

Despite all these extreme challenges, Qian Hu continues to preserve and focus on our core businesses which have remained resilient, a testament of our enduring strength and versatility, as our strong fundamentals help us to navigate through such turbulent times. Over the past three years, we had worked on strengthening our balance sheet, and we will continue to do so. Cautiously optimistic that we will be able to overcome the adverse external impacts to our business environment, we will persist on seizing opportunities for growth, developing new capabilities and becoming more competitive while remain focused on our core strengths and the long-term sustainability of our business.

Barring unforeseen circumstances, the Group expects to achieve profitability in FY 2023.

DIVIDENDS

(a) **Present period**

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

(b) **Previous corresponding period**

<u>Name of dividend</u>	<u>First & final</u>
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	341	341
Preference	Nil	Nil
Total:	341	341



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OTHER INFORMATION (cont'd)

DIVIDENDS (cont'd)

(d) **Date payable**

Subject to shareholders' approval at the Annual General Meeting to be held on 29 March 2023, the dividend will be paid on 25 April 2023.

(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 11 April 2023 will be registered before entitlements to the proposed dividend are determined. The Register of Transfer and the Register of Members of the Company will be closed on 12 April 2023 for the preparation of dividend warrants.

HALF-YEARLY REVENUE AND PROFIT CONTRIBUTION

	Group		Increase (Decrease) %
	Financial year ended 31 Dec		
	2022	2021	
	\$'000	\$'000	
Revenue			
1st Half	38,107	39,714	(4.0)
2nd Half	37,158	40,289	(7.8)
	<u>75,265</u>	<u>80,003</u>	(5.9)
Profit before tax			
1st Half	1,085	1,104	(1.7)
2nd Half	811	1,207	(32.8)
	<u>1,896</u>	<u>2,311</u>	18.0
Profit attributable to Owners of the Company			
1st Half	816	857	(4.8)
2nd Half	584	863	(32.3)
	<u>1,400</u>	<u>1,720</u>	(18.6)

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.

**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:



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OTHER INFORMATION (cont'd)

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
Alvin Yap Ah Seng	57	Substantial shareholder and cousin of Kenny Yap Kim Lee	Division head of Yi Hu division (since 1989) Duties : Oversees the Group's accessories business and manages the daily operations of Yi Hu division	No change
Andy Yap Ah Siong	56	Substantial shareholder and cousin of Kenny Yap Kim Lee	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
Tan Boon Kim	57	Brother-in-law of Alvin Yap Ah Seng and Andy Yap Ah Siong	Managing Director of - Thai Qian Hu Company Limited (since 2002) - P.T. Qian Hu Joe Aquatic Indonesia (since 2012) Duties : Oversees the business operations and business development of Thai Qian Hu Company Limited & P.T. Qian Hu Joe Aquatic Indonesia	No change
Lee Kim Hwat	68	Brother-in-law of Kenny Yap Kim Lee	Managing Director of Qian Hu Tat Leng Plastic Pte Ltd (since 1996) Duties : Oversees the daily operations and business development of Qian Hu Tat Leng Plastic Pte Ltd	No change



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

OTHER INFORMATION (cont'd)

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Yap Kay Wee	44	Son of Yap Ping Heng and cousin of Yap Kok Cheng	Head of Accessories Business, China Operations (since 2016) Duties : Oversees and manages the accessories business in China	No change
Lim Yik Kiang	46	Son-in-law of Yap Hock Huat and brother-in-law of Yap Kok Cheng	Head of Fish Business, China Operations (since 2016) Duties : Oversees and manages the fish business in China	No change

Kenny Yap Kim Lee (Executive Chairman), Alvin Yap Ah Seng, Andy Yap Ah Siong, Yap Ping Heng and Yap Hock Huat are substantial shareholders of the Company.

Yap Ping Heng, Yap Hock Huat and Kenny Yap Kim Lee are brothers. They are cousins to Alvin Yap Ah Seng and Andy Yap Ah Siong who are brothers.

Yap Kok Cheng is the Chief Executive Officer of the Company. He is the nephew of Kenny Yap Kim Lee and the son of Yap Hock Huat.

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman
12 January 2023



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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 2022, 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 FS73.

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 Companies Act 1967 ('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 2022 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.



Valuation of biological assets Refer to Note 5 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group holds a significant amount of biological assets in the form of brooder stock of dragon fish. Brooder stock of \$7,668,766 (2021: \$7,854,585) is carried at cost less accumulated depreciation and impairment.</p> <p>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.</p> <p>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.</p> <p>Management has assessed the recoverable amount of the brooder stock and no impairment was required for the financial year ended 31 December 2022.</p>	<p>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.</p> <p>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.</p> <p>We evaluated the appropriateness of the relevant disclosure in relation to the valuation of biological assets.</p>
<p><i>Our findings</i></p> <p>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.</p> <p>We found that the disclosures describing the inherent degree of estimation uncertainty and the sensitivity of the assumptions applied are appropriate.</p>	



Valuation of trade and other receivables – QHCL's level Refer to Note 9 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 31 December 2022, the Company has outstanding amounts due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") of approximately \$8.8 million (2021: \$9.2 million), of which, \$5.6 million (2021: \$6 million) is classified as non-current and \$3.2 million (2021: \$3.2 million) is classified as current. GZQH has been a wholly-owned subsidiary of the Company since 2019.</p> <p>Management performed a cash flow forecast of GZQH to assess the collectability of these receivables. Forecasting future cash flow is a highly judgemental process which involves making assumptions such as revenue growth rates, margins and operating expenses.</p>	<p>We assessed the recoverability of the amounts owing by GZQH with reference to future cashflows provided by management, on-going business relationship and considered the Group's future business plan for GZQH.</p> <p>In addition, we reviewed the sufficiency of the disclosures in relation to the significant and long outstanding receivables.</p>
<i>Our findings</i>	
<p>We found management's assessment of the recoverability of trade and other receivables, which premised on the future cashflows of GZQH, on-going business relationships and the future business plans to be reasonable and the disclosures to be appropriate.</p>	



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 Report") 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 Report, 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.



Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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 Tan Khai Boon.

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
12 January 2023