OUR WONDERFUL LIFE WITH FISH

Qian Hu Corporation Limited
Annual Report 2019

CONTENTS

MISSION

By focusing on technology, innovation and quality, we aspire to be the world's most value-adding and productive provider of Edible Fish, Ornamental Fish and Aquarium / Pet Accessories.

VISIONS

1. To be the world's biggest Ornamental Fish exporter.
2. To breed Ornamental Fish of the highest value.
3. To establish our "Ocean Free" and "OF" brands as the most recognisable amongst Aquarium Accessories brands in Asia.
4. To be an innovative technology company.
5. To produce antibiotic-free, sustainable edible fish for the benefit of our consumers and the environment.

About Us

We have been pioneering the integrated ornamental fish business since 1998 with a full spectrum of services, including the breeding of Dragon Fish to farming, importing, exporting and distributing of ornamental fish from all over the world. We also offer a comprehensive range of well-loved aquarium and pet accessories. As an ancillary business, we manufacture plastic bags for our own use in the packing of ornamental fish for sale as well as other industrial uses.

In early 2017, we ventured into aquaculture with our pilot project in Wenchang, Hainan Province, China, to breed and farm antibiotic-free edible fish fingerlings. In November 2017, we set up another aquaculture farm in Hainan to commence the export of edible fish and seafood to Southeast Asia, as well as the import of other such products to China.

Listed on the Singapore Exchange (SGX) since 2000, our ongoing commitment towards corporate transparency and governance, investor relations, as well as sustainability reporting, has been consistently recognised over the years.

Ornamental Fish

- Breed Dragon Fish, and farming, importing, exporting and distributing ornamental fish from all over the world
- One of the top exporters in the region for ornamental fish

OVER
1,000
SPECIES AND VARIETIES OF ORNAMENTAL FISH

Aquaculture

- Differentiated approach to the farming of antibiotic-free edible fish with the right technology, the right nutrition, and the right approach to fish health and well-being
- Scalable business model with successful edible fish farms in the world's aquaculture hub, Hainan Province in China

10,000m^2
IN LAND AREA

Accessories

- Manufacture and export of aquarium and pet accessories
- Domestic distribution through hubs in Singapore, Malaysia, China and Thailand

MORE THAN
3,000
ACCESSORIES PRODUCTS

Plastics

- Produce plastic bags which are supplied to third parties in the ornamental fish, food, electronics and healthcare industries
- Own & operate a plastics manufacturing facility in Singapore

38 YEARS'
EXPERIENCE IN PLASTICS
SINCE 1982

Strengths

4
KEY BUSINESSES

Ornamental fish, accessories, plastics and aquaculture – offer diverse income streams

5
EXPORT HUBS ACROSS THE WORLD

80
EXPORT COUNTRIES AND CITIES

Robust distribution network and strong partnerships with distributors and retailers

Award-Winning

53
AWARDS SINCE 2001

- Widely recognised for best practices in corporate transparency and governance
- Awarded for Best Managed Board, Most Transparent Company, Chief Financial Officer of the Year, Best Investor Relations, Best Annual Report

Innovation

12
WELL-LOVED BRANDS

- Proprietary R&D capabilities which enable us to develop new, revolutionary products
- Continuous pursuit of new opportunities in technology and related businesses to unlock more value for our stakeholders

Legacy

INCORPORATED IN
1998

LISTED IN SINGAPORE SINCE
2000

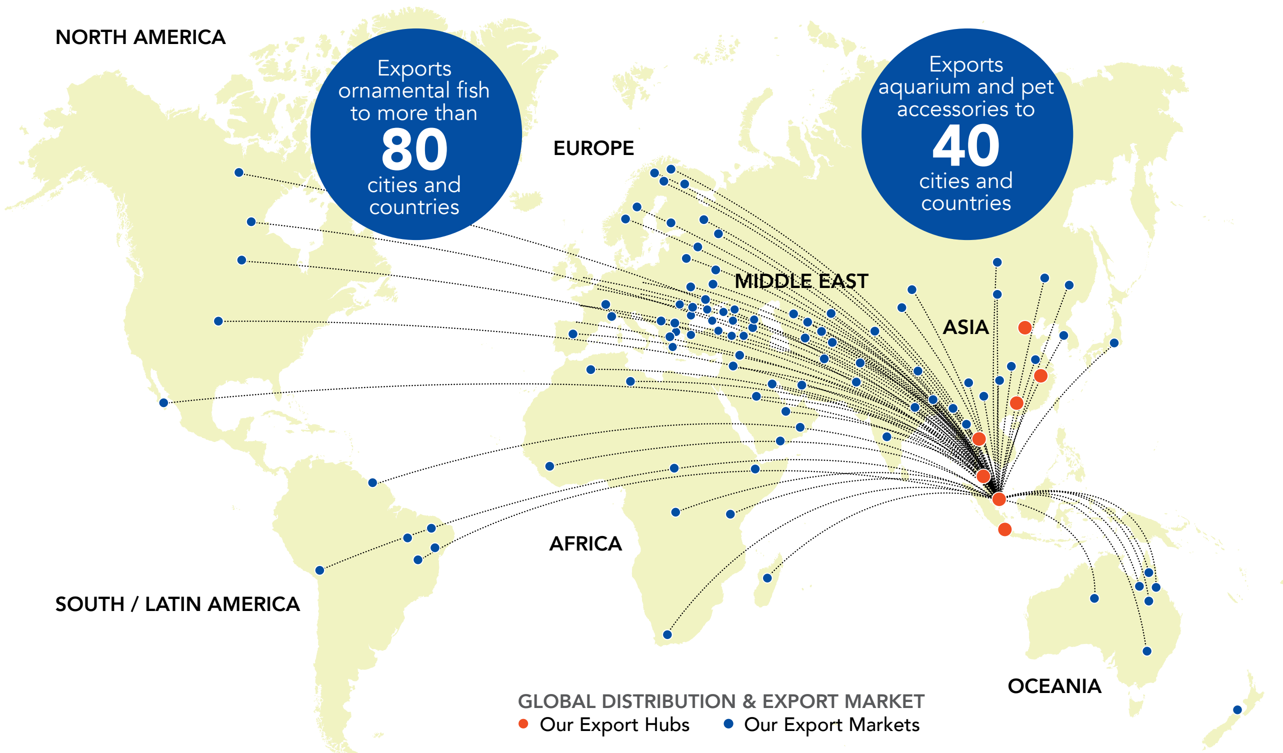
NUMBER OF EMPLOYEES IN 2019
595

Our Global Footprint

Our products and services serve major fish and pet accessories distributors and retailers around the world, and are also well received by members of the public.

With global distribution and five key export hubs across Asia in Singapore, Malaysia, China, Thailand and Indonesia, we make an effort to tap on local culture, knowledge and business best practices by hiring employees from local communities on the ground.

We believe this model enables us to better understand and anticipate our customers' needs.



33%
of Group Revenue

SINGAPORE

- Our home market
- Extensive global distribution network and established domestic customer base
- Leading ornamental fish and aquarium accessories distributor

47%
of Group Revenue

ASIA

- Incorporated subsidiaries in Malaysia, China, Thailand and Indonesia as export hubs and domestic distributors
- More than 115 distribution points across various cities in China
- Other major customers' presence in India, Japan, Philippines, Taiwan, Korea and the Middle East countries
- Biggest ornamental fish distributor in Thailand

10%
of Group Revenue

EUROPE

- Exporting from our five export hubs in Asia to major customers in Turkey, Russia, United Kingdom, France, Spain and the Netherlands

10%
of Group Revenue

REST OF THE WORLD

- Growth in revenue contribution from the USA, Canada and Australia

Corporate Information

BOARD OF DIRECTORS

Executive Chairman and Managing Director
Kenny Yap Kim Lee

Members
Alvin Yap Ah Seng
Lai Chin Yee
Tan Tow Ee
Chang Weng Leong
Sharon Yeoh Kar Choo
Ling Kai Huat

COMPANY SECRETARY

Lai Chin Yee

REGISTERED OFFICE

No. 71 Jalan Lekar
Singapore 698950
Tel: (65) 6766 7087
Fax: (65) 6766 3995
Website: www.qianhu.com

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Partner-in-Charge
Yeo Lik Khim
(Appointed in financial year 2017)

BOARD COMMITTEES

Audit Committee

Chairman
Tan Tow Ee

Members
Chang Weng Leong
Sharon Yeoh Kar Choo
Ling Kai Huat

Nominating Committee

Chairman
Sharon Yeoh Kar Choo

Members
Tan Tow Ee
Chang Weng Leong

Remuneration Committee

Chairman
Chang Weng Leong

Members
Sharon Yeoh Kar Choo
Ling Kai Huat

Risk Management Committee

Chairman
Ling Kai Huat

Members
Tan Tow Ee
Kenny Yap Kim Lee
Lai Chin Yee

PRINCIPAL BANKERS

DBS Bank Ltd

Oversea-Chinese Banking Corporation Limited

United Overseas Bank Limited

Malayan Banking Berhad

CIMB Bank Berhad

Bank Of China

Citibank N. A.

The Hongkong and Shanghai Banking Corporation Limited

INVESTOR RELATIONS

Kenny Yap Kim Lee
kenny_yap@qianhu.com

Ho See Kim
seekim@tishrei.sg

STOCK DATA

SGX code : BCV
Bloomberg code : QIAN:SP

Letter from the Chairman

> "In the coming years, we will strive to achieve our vision of being the world's biggest exporter of Ornamental Fish, as well as the provider of the widest range of Aquarium Accessories in Asia."

Dear Bosses

FY 2019 has been a year of going big for Qian Hu ("the Group"), led by our Aquaculture business, and I am pleased to report those exciting developments this year!

We are progressing well in line with our long-term vision to leverage innovation and automation, develop a wide range of accessories to remain competitive and ensure future sustainability.

While our Ornamental Fish and Accessories businesses held firm amidst the challenging operating environments, our Aquaculture venture forged ahead with healthy growth. Both of our farms in the Hainan Province, China performed well during this period. I am confident that our venture in this area will continue to reap healthy returns as we intensify our efforts going forward.

OUR WONDERFUL LIFE WITH FISH

Our entry into the Aquaculture business since 2017 brings us full circle to round up our position as an integrated ornamental fish service provider. Over the years, I am proud to have been part of the team that witnessed how Qian Hu's unique business proposition has evolved, where technology and fish meet to bring joy and touch the lives of many around us. Whether it is ornamental fish to be appreciated, aquarium accessories to be enjoyed as a hobby or aquaculture products to be made available in a sustainable and antibiotic-free manner – we have worked hard to cultivate the ethos behind a fishy lifestyle, and we want to bring that to you in an even bigger way in the coming years.

DRIVING HIGHER YIELD IN AQUACULTURE

During the year, we have been focused on driving higher yield in our Aquaculture business in a few ways: intensive farming of new species, expanding into new areas in the aquaculture value chain, as well as conducting trials on new edible products. As a result, this business segment contributed positively to the Group's financial performance in FY 2019.

Going forward, we plan to develop our activities further to meet the anticipated demand in this sector. We will be exploring synergistic tie-ups to extend our involvement in the supply value chain to include hatcheries grow-out phases. Eventually, we hope to expand our business of sustainable aquaculture for the Asian consumer market and beyond so that over the longer term, this segment may grow to be the Group's largest revenue contributor.

To date, the Group's track record, cutting-edge filtration technology and high-quality, proprietary fish feed and medication have been our platforms for success. Building on our position, we have made significant strides in the aquaculture sector by tapping on our know-how and expertise to breed antibiotic-free edible fish and seafood.

China remains the world's largest producer, consumer, importer and exporter of seafood products and accounts for approximately more than one-third of global production. As such, we believe we are well-placed to capitalise on this projected demand. We have put in place a roadmap to sharpen our operations and processes, and build upon and replicate the success we have achieved with our other businesses in this segment.

HOLDING STEADY GROUND

The Ornamental Fish segment came under immense pressure as a result of the prolonged dry season in Singapore in the earlier part of the year which affected our production numbers. With intense price competition in the segment, our performance was further exacerbated by ongoing macroeconomic trade tensions. Nevertheless, the business is holding steady to date.

On the Accessories front, we have completed the consolidation of our operations in China so as to fully integrate the value chain, from R&D all the way to manufacturing and distribution.

In the coming years, we will strive to achieve our vision of being the world's biggest exporter of Ornamental Fish, as well as the provider of the widest range of Aquarium Accessories in Asia.

POWERING AHEAD WITH INNOVATION

The heart of our business is centered on creativity and innovation, and we remain committed to pushing the boundaries of the quality of our product offerings, efficiency and productivity in our operations and environmentally sustainable practices.

In FY 2019, we ventured into the indoor breeding of Ornamental Fish in a controlled environment to ensure supply consistency as well as quality. In our Accessories business, we launched a number of applications under our OF and OF 3DM brands for big ponds and Koi ponds this year. These include filtration systems, filtration media, radiator as well as an automatic feeder for ponds or big bodies of water up to 20 tonnes. Special lighting, a new 3DM tank as well as a submersible UV steriliser for Arowana has also been launched recently.

At our Hainan farms, the Recirculation Aquaculture System (RAS) for the recirculation of water has resulted in our further reduction of sea water input by using our Hydro-Pure technology to treat wastewater, which is then recirculated and reused. With RAS, we will be able to recirculate 30% of the total water usage with environmental sustainability in mind. We also continue to develop filtration systems that are tailored for use with big ponds and aquaculture systems to enable high-density and intensity usage while improving efficiency where possible.

Technology continues to play a major part in our ability to improve and expand our operations and maintain the high standards of our products.

KEEPING WATCH, LOOKING AHEAD

We are encouraged by the continued positive performance of our Aquaculture business, despite the protracted trade tensions which continue to impact certain aspects of our business.

We have shown ourselves to be resilient, sparing no efforts to stay ahead of the competition with our continued initiatives in innovation. In the coming quarters, we hope to see the positive benefits from the consolidation of our Accessories operations in China. We are optimistic of opportunities ahead that will keep us on track for growth.

In closing, I would like to thank our Board of Directors, our business partners, our customers, our employees and most of all, our shareholders, for your continued support and belief. I look forward to seeing you soon at our Annual General Meeting.

KENNY THE FISH
Executive Chairman and Managing Director

[1] *Businesswire, 2017: "Study of China's seafood market: The world's largest producer, consumer, importer, and exporter of seafood products and accounts for approximately 35% of all global production – research and markets.*

主席的话

各位老板们：

在新开展的水产养殖业务带动下，仟湖（或“集团”）在2019年的发展步伐令人振奋。我很高兴地向各位汇报在今年里所取得的进展。

仟湖正朝向所设下的远景前行。集团借助创新、自动化及开发多样化的水族器材产品以保持仟湖的市场竞争力，并确保未来发展的可持续性。

今年，我们的观赏鱼和水族器材业务在挑战重重的营运环境中仍然屹立不倒，加上集团两年前所增设的水产养殖业绩也取得了成长。在这段期间，我们在中国海南省的两个水产养殖场都有良好表现。我相信，仟湖在水产养殖业务所投入的努力会持续获取硕果。因此接下来，仟湖会更努力地扩展水产养殖业务的规模。

美好生活，有鱼为伴

仟湖自2017年起涉足水产养殖行业，使得我们所提供的服务与产品更加多元完善——令鱼类成为人们享有美好生活的元素之一。多年来，我和我的团队经历了仟湖的成长历程，更验证了仟湖独特经营模式的演变，并将科技与鱼类巧妙结合而产生了愉悦感。与此同时，也提升了人们的生活素质。无论是供人观赏的鱼类、为养鱼爱好者提供更多便利的水族器材，或是提供可持续及无抗生素的水产养殖产品，我们都一直在努力地促成与培养人们能具有鱼为伴的优质生活。

推动水产养殖业的效益

今年，我们着重推动水产养殖业务的效益，致力于培殖新鱼种，也沿着水产养殖业的产业价值链延伸，开发更多的商机以及研发新的食用鱼产品。我们的努力使得该项业务在2019财政年里取得了满意的成绩。

放眼未来，我们计划进一步扩展水产养殖的业务范围，以更能迎合市场的预期需求。具体而言，我们将积极地寻觅具战略性的合作伙伴以延伸在行业里不同阶段的价值链——从生产幼苗、孵化到长成物的各个阶段。我们最终的目标是将可持续性的水产养殖业务规模扩大至能够供应亚洲消费市场及以外的更多国家，并致力于将水产养殖业务打造成集团的主要销售来源。

迄今，仟湖的先进过滤技术和自家研发的鱼饲料和药物一直是我们取得良好业绩的平台。我们借助了现有的专业知识和技术，大大地推进仟湖在水产养殖领域的进展，并成功地养殖了无抗生素的食用鱼和其他海产品。

未来几年，我们将会不断努力地朝向成为全球最大的观赏鱼出口商，以及亚洲最多元化的水族器材供应商的愿景迈进。

中国仍然是世界上最大的海产品生产、消费、进出口国家，约占全球总产量的三分之一。因此，我相信仟湖所建立的优势能够逐步迎合预期的市场需求。我们已经做好了水产养殖业务的发展规划，以加强现有的营运模式和作业流程。我有信心我们能够将其他现有业务所取得的成绩复制在水产养殖业务上。

稳健挺进

由于前些时候新加坡持久的干旱气候影响了龙鱼的产量，加上龙鱼价格竞争激烈及正在进行中的贸易战，使到集团观赏鱼业务的表现受到了某程度的影响。尽管如此，该业务的发展依然稳定。

在水族器材方面，我们已经完成了中国水族器材业务的整合。经整合后，集团的水族器材业务将能够更完善地融入行业的价值链—— 从产品研发、制造到分销网络。

未来几年，我们将会不断努力地朝向成为全球最大的观赏鱼出口商，以及亚洲最多元化的水族器材供应商的愿景迈进。

创新驱动增长

仟湖的核心发展思维围绕着创意和创新，我们致力于提高产品质量、营运效率、生产力及融入对环境可持续性的处事方法。

仟湖开始尝试用室内养殖模式培殖观赏鱼。在严格受控的环境下，我们可以确保观赏鱼供应量的稳定性和质量的一致性。在水族器材业务方面，仟湖在2019年里陆续推出以OF及OF 3DM品牌冠名，专为较大的鱼池和锦鲤池塘所开发的产品。这些产品，包括过滤系统、生化滤材、散热器，以及自动喂食器，都能够在一般鱼池，甚至高达20吨的大鱼池使用。我们也为龙鱼爱好者推出以特别照明灯为亮点的崭新3DM鱼缸，及一个专为饲养龙鱼所设计的潜水式紫外光消毒器。

我们在海南省的养殖场，自采用了融入仟湖自家研发的艾洁净水科技(“Hydro-Pure”)的养殖循环水过滤系统（“Recirculation Aquaculture System”或简称“RAS”）后，大幅度地减少用水量。RAS系统将水导回水箱重新循环使用，在改善水质的同时也有效地减少约30%的用水量，更能达到对于环境的保护与可持续性。我们会继续开发适用于大鱼池和水产养殖系统的过滤系统，实践高密度和高强度的使用性从而提高效率。

继往开来，科技将继续在我们扩展业务及保持产品高质量的标准中扮演着重要的角色。

保持警惕，勇往直前

尽管长期贸易战所呈现的紧张局势在某方面继续影响着我们业务，但是我们对集团水产养殖业务的潜能感到鼓舞。

一路走来，仟湖充分地展示出我们营运模式的坚韧，并不遗余力地持续创新，以使到我们能在市场竞争中保有领先地位。在来年的季度里，我希望见证中国水族器材业务的整合给予集团带来的积极效益。我们对集团未来的发展持乐观态度，并相信我们能延续现有的增长势头。

最后，我要感谢仟湖的董事局成员、我们的合作伙伴、客户和全体员工，更重要是股东们。感谢你们对仟湖持续的支持与信任，我期待在常年股东大会上与大家会面。

叶金利
执行主席兼总裁

Group Structure

DIVISIONS

QIAN HU FISH FARM TRADING
YI HU FISH FARM TRADING
WAN HU FISH FARM TRADING

SUBSIDIARIES

100%
Qian Hu Tat Leng Plastic Pte Ltd
2 Woodlands Sector
#03-35 Woodlands Spectrum
Singapore 738068

100%
Qian Hu Aquarium and Pets (M) Sdn Bhd
Block E, Lot 6212
Kampung Baru Balakong
43300 Balakong, Selangor
Darul Ehsan, Malaysia

100%
Qian Hu The Pet Family (M) Sdn Bhd
Block E, Lot 6212
Kampung Baru Balakong
43300 Balakong, Selangor
Darul Ehsan, Malaysia

100%
Qian Hu Development Sdn Bhd
Block E, Lot 6212
Kampung Baru Balakong
43300 Balakong, Selangor
Darul Ehsan, Malaysia

100%
Beijing Qian Hu Aquarium and Pets Co., Ltd
北京市朝阳区金盏乡
北马房东鱼场
Dong Fish Farm
Bei Ma Fang Village
Jinzhang Town
Chao Yang District
Beijing, China

100%
Guangzhou Qian Hu OF Feed Co., Ltd
广州市花都区炭步镇汽车城
东风大道12号
No.12, Dongfeng Road
Qichecheng, Tanbu Town
Huadu District
Guangzhou, China

100%
Guangzhou Qian Hu Aquarium and Pets Co., Ltd
广州市花都区炭步镇汽车城
东风大道12号
No.12, Dongfeng Road
Qichecheng, Tanbu Town
Huadu District
Guangzhou, China

100%
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd
广州市花都区炭步镇汽车城
东风大道12号
No.12, Dongfeng Road
Qichecheng, Tanbu Town
Huadu District
Guangzhou, China

100%
Qian Hu Aquaculture (Hainan) Co., Ltd
海南省文昌市会文镇
烟墩文园村
Yan Dun Wen Yuan Village
Hui Wen Town
Wen Chang City
Hainan, China

60%
Tian Tian Fisheries (Hainan) Co., Ltd
海南省文昌市会文镇
宝峙村边海尾
Bao Shi Village
Hui Wen Town
Wen Chang City
Hainan, China

74%
Qian Hu Marketing Co Ltd
30/23 Moo 8, Klongnung
Klongluang, Pathumthani
12120 Thailand

60%
Advance Aquatic Co Ltd
30/24 Moo 8, Klongnung
Klongluang, Pathumthani
12120 Thailand

60%
Thai Qian Hu Company Limited
30/25 Moo 8, Klongnung
Klongluang, Pathumthani
12120 Thailand

49%
NNTL (Thailand) Limited
30/23 Moo 8, Klongnung
Klongluang, Pathumthani
12120 Thailand
(The Group has voting control at general meetings and Board meetings)

97.25%
P.T. Qian Hu Joe Aquatic Indonesia
JL. Raya Brantamulya Tengsaw
No. 9 Tarik Kolot
Kecamatan Citeureup Bogor
Indonesia 16810

Board of Directors

KENNY YAP KIM LEE, 54

EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR

First Class Honours degree in Business Administration, Ohio State University, USA

Fellow of the Singapore Institute of Directors

Date of first appointment as director	12 December 1998
Date of last re-appointment as director	28 March 2018
Length of services as director (as at 31 December 2019)	21 years

Served on the following Board Committees

• Executive Management Committee	Chairman
• Risk Management Committee	Member

Present Directorships in other listed companies

- Nil

Major Appointments (other than directorships in other listed companies)

- Nil

Past Directorships in other listed companies held over the preceding three years

- Nil

Background and experience

- Founding member of Qian Hu
- Executive Chairman and Managing Director of the Group since 2000
- Council Member, Corporate Governance Council (2010-2012)

Awards

• Public Service Medal at the Singapore National Day Awards	2004
• Ernst & Young's Entrepreneur of the Year	2003
• Young Chinese Entrepreneur of the Year by Yazhou Zhoukan	2002
• One of the 50 Stars of Asia by Business Week	2001
• PSB/International Institute of Management's International Management Action Award	2000
• Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year	1999
• Singapore National Youth Award	1998

ALVIN YAP AH SENG, 54
DEPUTY MANAGING DIRECTOR

Diploma in Mechanical Engineering,
Singapore Polytechnic

Date of first appointment as director	12 December 1998
Date of last re-appointment as director	28 March 2018
Length of services as director (as at 31 December 2019)	21 years

Served on the following Board Committees

• Executive Management Committee	Member

Present Directorships in other listed companies
- Nil

Major Appointments (other than directorships in other listed companies)
- Nil

Past Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Founding member of Qian Hu
- Oversees the Group's Aquarium and pet accessories operations

Awards

• Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year	1999

LAI CHIN YEE, 54
FINANCE DIRECTOR

Bachelor's degree in Accountancy,
National University of Singapore

Fellow of the Institute of Singapore Chartered Accountants (ISCA)

Member of the Singapore Institute of Directors

Date of first appointment as director	1 November 2004
Date of last re-appointment as director	28 March 2019
Length of services as director (as at 31 December 2019)	14 years

Served on the following Board Committees

• Executive Management Committee	Member
• Risk Management Committee	Member

Present Directorships in other listed companies
- Micro–Mechanics (Holdings) Ltd

Major Appointments (other than directorships in other listed companies)
- Board Member, Accounting and Corporate Regulatory Authority (ACRA)
- Council Member, Institute of Singapore Chartered Accountants (ISCA)
- Member, Corporate Governance and Risk Management Committee of ISCA
- Member, Continuing Professional Education (CPE) Committee of ISCA
- Member, Membership Committee of ISCA

Past Directorships in other listed companies held over the preceding three years
- Ryobi Kiso Holdings Ltd

Background and experience
- Responsible for the Group's accounting, finance, treasury and tax functions
- Joined the Group in 2000 as Group Financial Controller before assuming the current position as Finance Director in 2004
- Was an auditor with international accounting firms since 1987
- Member, Ministry of Finance's Tax Advisory Committee (2004-2006)
- Council Member, Council on Corporate Disclosure and Governance (CCDG) (2006-2007)
- Member, CFO Committee of ISCA (2009-2012)

Awards

• Chief Financial Officer of the Year (Companies with less than $300 million in market capitalisation)	2009

Board of Directors (Cont'd)

TAN TOW EE, 57
LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Honours degree in Finance,
Ohio State University, USA

Date of first appointment as director	1 May 2002
Date of last re-appointment as director	28 March 2018
Length of services as director (as at 31 December 2019)	17 years

Served on the following Board Committees

• Audit Committee	Chairman
• Risk Management Committee	Member
• Nominating Committee	Member

Present Directorships in other listed companies
- Nil

Major Appointments (other than directorships in other listed companies)
- Nil

Past Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Manages private funds and provides consultancy services
- More than 15 years working with international corporations as investment manager

CHANG WENG LEONG, 57

INDEPENDENT NON-EXECUTIVE DIRECTOR

Master of Science in Mechanical Engineering, National University of Singapore

Registered Principal Auditor, Institute of Quality Assurance (IRCA UK)

Member of the Singapore Institute of Directors

Date of first appointment as director	18 October 2000
Date of last re-appointment as director	22 March 2017
Length of services as director (as at 31 December 2019)	19 years

Served on the following Board Committees

• Remuneration Committee	Chairman
• Audit Committee	Member
• Nominating Committee	Member

Present Directorships in other listed companies
- Nil

Major Appointments (other than directorships in other listed companies)
- Nil

Past Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Principal Consultant of Alchemy Business Consultants
- Many years of experience in quality management, environmental management, human resource and business management.

SHARON YEOH KAR CHOO, 61

INDEPENDENT NON-EXECUTIVE DIRECTOR

Associate Member of the Institute of Chartered Secretaries & Administrators, UK

Member of the Chartered Secretaries Institute of Singapore (CSIS)

Date of first appointment as director	17 September 2011
Date of last re-appointment as director	22 March 2017
Length of services as director (as at 31 December 2019)	8 years

Served on the following Board Committees

• Nominating Committee	Chairman
• Audit Committee	Member
• Remuneration Committee	Member

Present Directorships in other listed companies
- Nil

Major Appointments (other than directorships in other listed companies)
- Nil

Past Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Director of Corporate Secretarial Services at TMF Singapore H Pte. Ltd.
- More than 30 years of experience in the corporate secretarial industry
- Worked in Coopers & Lybrand Hong Kong and Coopers & Lybrand Singapore, Evatthouse Corporate Services Pte Ltd, M & C Services Private Limited and Corporate Alliance Pte. Ltd.

DR LING KAI HUAT, 71

INDEPENDENT NON-EXECUTIVE DIRECTOR

Doctor of Philosophy, National University of Singapore

Master of Aquaculture, University of the Philippines

Bachelor of Science in Biology, Nanyang University Diploma in Aquaculture, Network of Aquaculture Centres in Asia (NACA)

Date of first appointment as director	1 August 2015
Date of last re-appointment as director	28 March 2019
Length of services as director (as at 31 December 2019)	4 years

Served on the following Board Committees

• Risk Management Committee	Chairman
• Audit Committee	Member
• Remuneration Committee	Member

Present Directorships in other listed companies
- Nil

Major Appointments (other than directorships in other listed companies)
- Nil

Past Directorships in other listed companies held over the preceding three years
- Nil

Background and experience
- Senior Specialist of Agri-Veterinary Authority of Singapore (AVA) (2012 - 2015)
- Head, Ornamental Fish Section of AVA (1991 - 2011)
- Curator, Van Kleef Aquarium (1973 - 1990)

Key Management

SINGAPORE

1 ANDY YAP AH SIONG
DEPUTY MANAGING DIRECTOR
QIAN HU CORPORATION LIMITED

Mr Yap, a founding member of the Group, heads the Group's Fish operations as Deputy Managing Director.

Mr Yap was the Managing Partner for Qian Hu Fish Farm Trading from 1989 to 1998. In 2000, Mr Yap together with Kenny Yap and Alvin Yap, was honoured as one of the Top 12 Entrepreneurs at the 12th Rotary-ASME Entrepreneur of the Year awards. Mr Yap was also a finalist at the 10th Rotary-ASME Entrepreneur of the Year awards in 1998.

Mr Yap holds a diploma in Business Studies from Ngee Ann Polytechnic.

2 LEE KIM HWAT
MANAGING DIRECTOR
QIAN HU TAT LENG PLASTIC PTE LTD

Mr Lee has been overseeing and managing the operations and business development of Qian Hu Tat Leng for more than 21 years. He is responsible for the growth of the Group's Plastics business.

3 BOB GOH NGIAN BOON
SENIOR MANAGER
REGIONAL BUSINESS MANAGEMENT

Mr Goh joined the Group in 2001. He was appointed General Manager of its Guangzhou factory in 2005 and was transferred to the Group's Beijing and Shanghai operations in August 2007 and January 2008 respectively to handle the day-to-day operations. With effect from January 2016, Mr Goh has been re-designated to supervise and handle the Group's regional business, focusing mainly in China and new markets. Prior to joining Qian Hu, Mr Goh was a Brand Manager and has managed several high profile international brands.

Mr Goh holds a diploma in Business Studies from Ngee Ann Polytechnic.

MALAYSIA

4 THOMAS NG WAH HONG
MANAGING DIRECTOR
QIAN HU AQUARIUM AND PETS (M) SDN BHD
QIAN HU THE PET FAMILY (M) SDN BHD
QIAN HU DEVELOPMENT SDN BHD

Mr Ng is responsible for the overall business development of Qian Hu's business in Malaysia. Prior to joining the Group in 1998, Mr Ng was a director with Guan Guan Industries Sdn Bhd since 1990, and Agemac Verdas (Malaysia) Sdn Bhd from 1996 to 1998.

Mr Ng holds a diploma in Civil Engineering from Singapore Polytechnic.

CHINA

5 YAP KOK CHENG
GENERAL MANAGER, CHINA OPERATIONS

Mr Yap joined the Group in January 2005 as a management trainee in Beijing Qian Hu. He was responsible for its daily operations and to peruse business expansion in Northern China. He assumed his current role in January 2016 and is tasked to manage and oversee the Group's aquaculture business and the overall business development in China.

Mr Yap holds a Bachelor of Commerce degree from the University of New South Wales, majoring in Finance and Economics. He currently serves as a member of AVS's Ornamental Fish Business Cluster.

6 LIM YIK KIANG
HEAD OF FISH BUSINESS, CHINA OPERATIONS

Mr Lim joined as a retail supervisor with Qian Hu Singapore in 2000, managing the retail operations in Singapore. In 2004, he was transferred to administer the Group's Dragon Fish operations in Shanghai. Mr Lim specialises in the sales and operations of Dragon Fish and other ornamental fish in the China market. He was appointed in January 2016 to oversee the Group's Fish business in China.

7 YAP KAY WEE
HEAD OF ACCESSORIES BUSINESS, CHINA OPERATIONS

Mr Yap joined the Group in January 2005 as a management trainee in its Guangzhou office. He was responsible for the Group's accessories sales and marketing initiatives in Southern China. He also spearheaded various innovative projects with the Group's Integrated R&D team. He is appointed to his current role in January 2016 to take charge of the Group's Accessories business in China.

Mr Yap holds a Bachelor of Commerce degree from the University of New South Wales, majoring in Marketing and International Business.

THAILAND / INDONESIA

8 JIMMY TAN BOON KIM
MANAGING DIRECTOR
THAI QIAN HU COMPANY LIMITED
ADVANCE AQUATIC CO LTD
P.T. QIAN HU JOE AQUATIC INDONESIA

Mr Tan oversees the business operations and business development of the Group's Ornamental Fish business in Thailand and Indonesia. Prior to his current appointments, Mr Tan was the division head of Daudo division in Singapore, overseeing the import, export and wholesale of ornamental fish.

9 LOW ENG HUA
MANAGING DIRECTOR
QIAN HU MARKETING CO LTD

Mr Low joined the Group in 2001 as its Group General Manager. Over the years, he was assigned to manage the Group's various overseas operations and projects in China, Thailand and India. At present, Mr Low is responsible for the business collaboration and development of the Group's Accessories business in Thailand. Prior to joining the Group, Mr Low worked in Engage Electronics (S) Pte Ltd from 1993 to 2001 where he rose through the ranks from Application Engineer to Deputy Operations Manager.

Mr Low holds a Bachelor's degree in Engineering from the National University of Singapore.

Focus & Strategy

In 2020, we will continue to invest our efforts into taking Qian Hu to the next level of growth across all our business divisions. By leveraging our competencies in research and development, harnessing technology, focusing on innovation and quality and guided by our long-term goals, we aim to be a leading global player in edible fish, ornamental fish and accessories. Qian Hu aspires to be an organisation with innovation and creativity at its heart, and one which brings value to our customers, business partners and to the community at large.

TO BE THE FOREMOST ORNAMENTAL FISH EXPORTER

The Ornamental Fish business remains the mainstay of our Group and we aim to be the world's foremost exporter in this segment. Our export hubs of Singapore, Malaysia, Thailand, Indonesia and China are already supplying 60% to 70% of the world's ornamental fish, capturing more than 5% of the global market share and exporting to more than 80 cities and countries. We aim to gradually increase our market share to 10% and export to more than 100 cities and countries.

FOCUSING ON BREEDING HIGHER VALUE ORNAMENTAL FISH

In the coming years, we will continue to invest our efforts into the breeding of high value ornamental fish and grow this segment as one of our key competitive strengths. Through our continued investment in R&D, we plan to establish ourselves as high quality suppliers in the region.

We foresee that 2020 will continue to be challenging for the ornamental fish market due to ongoing macroeconomic trade tensions. In addition, the recent COVID-19 outbreak may potentially lead to further business disruptions in this region in the coming year. Nevertheless, we remain focused on our core strengths and the longer term prospects of our business. For instance, our expertise in the breeding of unique Dragon Fish such as the Albino species will prove invaluable. Demand remains consistent for these Albino variants despite the challenging market conditions. We have therefore been working on breeding a whole new range of ornamental fish using a new genomic technology in the next few years to capitalise on this growing market trend.

ESTABLISHING OUR ACCESSORIES BRANDS AS THE MOST RECOGNISABLE IN ASIA

We are constantly working towards expanding our accessories brands, OF® and Ocean Free®, to more than 60 countries and cities. Every year, we bring more exciting, innovative, proprietary products to the market and this year was no exception with our strong focus on filtration products and accessories for large water and pond applications. We will also be looking at improving these filtration and pump products to ensure we establish our brand as a leading player in the large water and pond space. We intend to continue developing these high-quality products alongside our cutting-edge fish nutrition, which bring out the beauty of fish and maintain their health and well-being.

In addition, we see healthy potential for our pet accessories segment as pet owners continue to proliferate the 'humanisation' of their pets by providing real-life experiences such as spa treatments. As such, we will look into developing accessories catered to this market segment in the coming year.

INNOVATION AND TECHNOLOGY AT THE HEART OF OUR DNA

Always curious, and always innovating. Our creative spirit drives our research and development, bringing about innovative products and accessories over the years. We are focused on large water and pond applications in the coming year as well as a new filtration system which can serve the purpose of high-density farming that is typical of the aquaculture segment.

Adapting and evolving to better meet our customers' needs is of utmost importance to us. Towards this end, we have not only engaged in various online marketing platforms but also adapted our ways of engaging with our stakeholders through more direct online interaction. We see these e-commerce initiatives, together with a robust content strategy, as essential to enhancing our brand positioning and increasing our accessibility to reach end consumers.

BUILDING A FULLY INTEGRATED AQUACULTURE ECOSYSTEM

Armed with an established track record, know-how in fish breeding, fish medication and filtration technology, we have been successfully farming antibiotic-free edible fish in Hainan Province, China since 2017. Going forward, we are looking at backward integrating our aquaculture value chain into the hatchery phase which will allow us complete control in terms of quality, production timing and stock levels.

On the aquaculture front, we intend to create an ecosystem involving breeding, feed and medication around the Macrobrachium Rosenbergii, a species of giant freshwater shrimp. We are seeing healthy demand in the market for consumption and we plan to focus on this effort in 2020.

We are confident that our aquaculture business, given the right strategy and assuming global trends remain consistent, may eventually surpass our Ornamental Fish business as our growth engine.

2019 in Review

Driving Higher Yield in Aquaculture

Despite the challenging global operating backdrop, the overall aquaculture market remained resilient and our edible fish business continued to see consistent growth as a result.

Since our entry into this segment in 2017, we have refined our strategy over the years to ensure we derive the best returns. This year was no exception as we further honed our expertise in this business to drive higher yield through the intensive farming of new species, expansion into new areas within the aquaculture value chain such as hatchery and the grow-out stages, as well as trials on new edible products.

Our aquaculture farm in Hainan, which has been successfully rearing and exporting various types of Grouper fingerlings, such as Humpback, Coral Trout, Hybrid and Giant Grouper, continues to perform strongly while we look at ways to integrate our processes further to capture more value, including the setting up of an indoor hatchery, producing Grouper fries to further enhance our control over the quality and consistency of fries available. We have also started to cultivate fingerlings of the Marble Goby, another premium freshwater fish species that is extremely popular in Asia. In addition, we are seeing healthy opportunities to expand our export markets beyond the current network – comprising Singapore, Malaysia, Thailand, Hong Kong, Taiwan, Vietnam, Brunei and Indonesia – which we continue to actively explore.

Given the immense potential the China market holds, we believe there is headroom to grow the various types of fish being exported from Hainan while increasing imports into China. With Hainan's infrastructure and manpower capability for fish cultivation, import and export and other peripheral activities, China continues to be the natural base of our aquaculture business while we look to replicate our model in other markets where it makes sense.

In Singapore, we have commenced trials for intensive shrimp farming using water recirculation via Hydro-Pure technology. We have been testing the complete grow-out cycle for the Vannamei or Whiteleg shrimp from hatchery to grow-out and after sales. We believe that intensive farming of this shrimp species can boost our yield in time to come.

We have started a hatchery and nursery farm for Macrobrachium Rosenbergii (Giant Freshwater Shrimp), with the aim of creating an ecosystem that involves seedlings, feeds and stable sales channels of these Giant Freshwater Shrimp in the region.

As a key driver for our overall business, our edible fish business remains anchored on our core technologies of proprietary quality fish feed, herbal-based, antibiotic-free fish medication and clean water powered by our Hydro-Pure technology.

Our transhipment business, which provides services for live seafood to be transhipped in Singapore to regional countries, is growing steadily during the year.

Review

New Generation of Ornamental Fish

Due to prolonged warm weather in Singapore in the earlier part of the year which resulted in one of the driest seasons in many years, our breeding activities for the Dragon Fish segment have inadvertently been affected this year. Coupled with the ongoing global trade tensions, our ornamental fish revenue was impacted despite registering stable margins.

As the overall operating conditions for this segment remained challenging, we continued to hold our ground and concentrate on the breeding of new generations of Arowana, such as our Albino species.

In general, a complete breeding cycle of Albino species is expected to take us through the next four to five years as we hone our efforts on this area.

Meanwhile, our collaboration with a team of researcher from the National University of Singapore for the breeding of a whole new range of ornamental fish using a genomic technology is making good headway and is expected to progress until 2021.

2019 in Review (Cont'd)

Innovating With New Product Showcase

Innovation lies at the heart of our DNA here in Qian Hu, and we are continually honing our products with customer-focused solutions for aquarium and pet accessories.

This year, we went big through the introduction of numerous new products across our various aquarium and pet accessory brands, and also refined and enhanced our existing products.

We introduced several large pond products under the OF range, such as the OF 3DM BB-Mech Chamber, the OF 3DM Bio-Chamber and OF 3DM pH Up, comprising bio-bead mechanical filtration and biological filtration using 3DM technology for big ponds, as well as filtration media for buffering pH levels in ponds as well.

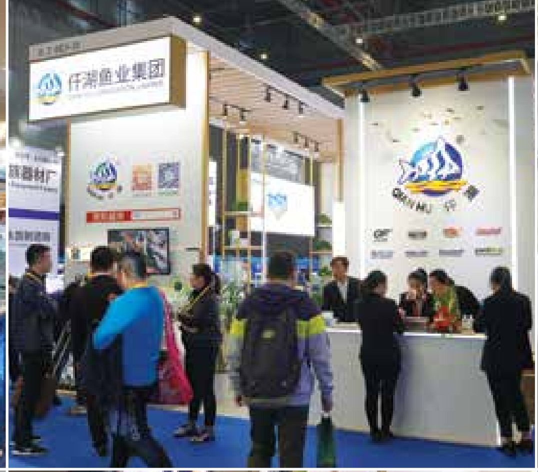
Under the OF Hydra range of filters, we launched the OF Hydra Ginox for water filtration, as well as the OF UV radiator which provides 240W UV – both designed for use in up to 20-tonnes of water.

We also launched the OF Nature Earth for Koi series, a new water conditioner enriched with minerals which replicates the natural state and essential elements present in water, designed for the best comfort for fish.

In addition, Ponddpro Eco-Fresh Automatic Pond Feeder takes away the worries of pond owners on feeding their Koi, goldfish and pond fish whilst on vacation. Using low voltage, this product is safe and ideal over most conventional automatic feeders, ensuring that pond fish will be fed on time without running the risk of batteries going flat.

We also developed a new range of lighting specially for Arowana, to ensure the shades of the fish are enhanced and fully appreciated. With 6 pre-selected colours ideal for the Arowana, the OF Supreme Arowana Color Select LED Lighting G2 and the submersible version are suitable for fish at all growth stages. The OF Professional Arowana Tank Mk4 with massive 3DM trickling filtration design was also launched at the China International Pets Show in Shanghai this year to great interest. At the event, we also showcased the Aqua Zonic UV Sterilizer G3, a UV sterilizer with a 360-degree reflector that can be submerged in the tank to eradicate algae cells without affecting fish health.

Our pet accessories division also kept up the innovative spirit, introducing a new range of Aristo-Cats food designed to expel toxicity. In keeping with the emphasis on promoting environmentally friendly, biodegradable products, our tofu cat litter and carbon pet sheets continue to gain good traction in the market.



Our Marketing Efforts

During the year, we undertook several marketing initiatives, key among them being participation in international events, exhibitions and conventions to showcase our products and break into new markets.

- Pet Fiesta 2019 in Malaysia (April 2019)
- AQUARAMA International Aquarium Exhibition in Guangzhou, China (June 2019)
- 6th Young Koi Show in Singapore (June 2019)
- 15th TNPA All Thailand Koi Show in Bangkok, Thailand (June 2019)
- 12th Asia Cup Koi Show in Malaysia (July 2019)
- 7th ZNA TKKG Koi Show in Ayutthaya, Thailand (September 2019)
- China International Pet Show in Shanghai, China (November 2019)
- 4th Indonesia Ornamental Fish and Aquatic Plant Show 2019, NUSATIC in Tangerang, Indonesia (November 2019)

Market Updates

Singapore

We enjoyed general growth across our businesses in Singapore in 2019. Our aquarium and pet products performed relatively well this year, while the ornamental fish segment growth slowed due to the prolonged dry season.

Leveraging the successes we have built in the past years, our capabilities in the Hydra product segment for large water applications have been well recognised and received. With this, we have focused on creating more integrated systems for Koi fish applications which have been adopted by reputable farms in Japan. We see this as positive for our brand as some of these farms enjoy a strong following and participate in large-scale, regional Koi competitions.

Our OF Hydra water depurator continued to enjoy market awareness and acceptance during the year, as we also started to secured orders from countries such as Cambodia, Myanmar, Vietnam and Indonesia.

This year, we introduced a host of new products - the OF 3DM BB-Mech Chamber, the OF 3DM Bio-Chamber and OF 3DM pH Up using 3DM technology for big ponds. We also unveiled the OF Hydra Ginox for water filtration, the OF UV radiator which provides 240W UV – both designed for use in large water applications for up to 20-tonnes, as well as a new water conditioner for Koi, OF Nature Earth.

There are also products launched under various brands, such as the Ponddpro Eco-Fresh Automatic Pond Feeder, as well as a new OF lighting range designed to enhance the shades of the Arowana, a new fully-submersible UV sterilizer under the Aqua Zonic brand to eradicate algae cells, and a new range of Aristo-Cats food designed to expel toxicity.

Our dedicated online assets www.yihufish.com and www.yihufish.com/qianhuacccessories remain important channels of engagement with our savvy customers, and we plan to continue to update them through a consistent and robust social content strategy.

Market Updates (Cont'd)

Malaysia

This year, we focused our efforts on aquarium and pet products in Malaysia. Both segments performed well and contributed positively to the overall business.

We successfully launched OF Hydra Prime System V3 Filtration System in January 2019, designed to induce the natural coloration of Koi, detoxify harmful waste such as Ammonia (NH3) and Nitrite (NO2-) to maintain healthy water conditions, and increase dissolved oxygen levels in the water.

We also introduced the OF 3DM BB-Mech Chamber in September 2019, which is a high-efficiency filtration system using our unique 3DM highly porous filter sand to trap micro-dirt and naturally reduce dirt. Both products performed well in terms of sales and we received positive feedback from Koi pond hobbyists as well. With the introduction of these new Koi pond systems – comprising the OF Hydra Prime V3 Filtration System, OF 3DM Filtration Media and OF 3DM BB-Mech Chamber – we saw an increase in aquarium accessories sales in FY 2019 – testament to the popularity of large water and pond applications in our market.

In Malaysia, we are witnessing a growing trend where young people increasingly move towards the adoption of pets in line with urban growth. In addition, the trend of pet humanisation where more pet owners try to provide their pets with human-like products or experiences, further fuels the adoption and higher levels care for pets. We believe this will bode well for our pet accessories business as we continue to focus on this segment in the coming years.

In addition, the e-commerce market momentum is gaining good traction in Malaysia and the online market has been flourishing with exponential growth in the number of products available online in the past few years.

According to DATAREPORTAL[1], Malaysians' e-commerce spending grew by 24% last year, and with the government's push towards the growth of the online economy as a national priority, it is likely that Malaysia will continue to enjoy strong growth in this space over the coming years.

As a result, our online strategy involves ensuring our resources will be ready to capitalise on this moving consumer trend. To this end, we plan to revamp our website to be e-commerce ready, gear up on our social media content and engagement, and ensure that our products are readily available on e-commerce platforms such as Shopee and Lazada.

[1] *Datareportal, 2019: "Digital 2019 Spotlight: Ecommerce in Malaysia*

China

Overall, the China market continued to operate strongly this year, particularly our aquarium and medication products which boosted our position with their strong performance. We unveiled improved aquarium products for the China market such as the OF Professional Arowana Tank Mk4, as well as a mid-range fish tank targeted at white-collared couples.

Our online platforms grew in tandem and in support of our online dealers, who play a critical role in brand promotion and increased online product exposure. This year, we have also ventured into hosting more 'live' broadcast sessions through our social media platforms by providing more educational content around our aquarium and medication products.

As these sessions tend to be more interactive and engaging, we find that they are extremely popular amongst our consumers. We intend to focus on this content-rich strategy to ensure we cover current topics and important trends in fishkeeping to engage with potential new consumers.

Our aquaculture business in Hainan Province has progressed well with exponential growth in FY 2019. We have also focused on the backward integration of our Grouper business to include the hatching of actual eggs within a controlled indoor hatchery area. This process not only allows us complete control in terms of quality as we take a lot of pride in ensuring our aquaculture processes remain antibiotic-free, but also control over production timing and stock levels.

In December, we completed the acquisition of Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") in China. With this, we expect to strengthen our supply chain as GZQH has been manufacturing Qian Hu's proprietary innovative products for more than a decade. This acquisition will also be a step towards meaningful backward integration, which we are confident that it will further enhance our ability to grow our market position of our accessories business in China for the coming years.

As we look ahead, the ornamental fish market is set to become more regulated and transparent given tighter market policies and permits. Meanwhile, we remain optimistic on the continual development of the sectors where we operate and believe we are in a strong position to ensure a competitive edge.

Market Updates (Cont'd)

Thailand

As the aquarium accessories market saw a downward trend in Thailand this year, our overall sales were comparatively weaker as a result of lower demand for aquarium accessories. Our key growth drivers this year comprised pond filtration products and pet accessories.

In 2019, we have managed to establish strong sales in the area of our OF filtrations systems to premium Japanese Koi hobbyists and Koi farms.

We see strong potential in Koi and garden pond products as this segment is growing at a healthy pace, and we will focus our efforts in this area in the coming year. We will also be working to expand these premium pond filtration systems to more provinces as these are currently only available in Bangkok.

We have also successfully launched new products catering to this segment such as the OF Hydra Prime V3 Filtration System and OF 3DM Filter Media, which have since been taken up by many champion Koi hobbyists and Koi farms for use with extremely positive responses.

In Thailand, the pet accessories market is also steadily growing every year with the rising pool of pet owners amidst lower marriage rates and an overall ageing society. As such, we will bring in and develop more categories of products for pet accessories especially pet cages, food and water feeders and pet toys.

We will also focus on developing more pet accessories for cats as we have observed that cat ownership is growing at a faster rate in Thailand. Having already established our Aristo-Cats brand for cat food and litter in Thailand, we have seen our market share for cat litter grow over the last year and as such, we believe we will make good headway in this segment moving forward. We also plan to look into developing pet clinic products such as rapid test kits of diseases and viruses for dogs and cats, as this segment is growing fast, where Thailand currently has about 2,500 registered pet hospital and clinics.

Indonesia

The operating landscape for ornamental fish in Indonesia remained challenging in 2019 as a result of the macroeconomic trade tensions.

As a result, our performance remained moderate and relatively stable throughout the year. We continued to export existing breeds such as the Silver Arowana, which has been enjoying consistent demand in Asia, as well as other export items such as Koi and Goldfish to the Middle East. In addition, we have also acquired new export customers from USA and Korea this year to whom we are supplying varieties of exotic fish which are captive and bred in Indonesia.

In terms of the local sales market, the Indonesian fishery authority has since re-opened its doors in June 2019 following a mid-2018 policy to regulate fish imports, which authorised imports only from companies with licences issued by the Ministry. This recent development has proven to be a positive move for the industry. In the second half of 2019, we were able to resume our import business with fish from Singapore, Thailand and China with strong momentum.

For the third year running, we participated as one of the annual Nusatic exhibitors with the objective of driving awareness within the Indonesian ornamental fish business and market, as well as to seek new approved suppliers and prospective customers.

Moving forward, we are still focused on Asian markets as a key export market for Indonesian fish. Meanwhile, closer to home, the local Indonesian market trends are seeing healthy popularity for special breeds of Guppy and Betta fish, which are in turn attracting more hobbyists and home breeders to the industry. We believe these trends will continue to drive healthy demand for fish products for Qian Hu in Indonesia.

Financial Highlights

	2019	2018	2017	2016	2015
FOR THE YEAR ($'000)					
Revenue	76,915	85,667	87,824	80,470	77,970
Gross profit	23,511	26,042	26,257	23,739	22,164
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	4,659	3,447	3,046	2,208	2,508
Profit (Loss) before tax	1,059	775	761	(10)	549
Net profit attributable to owners of the Company	920	402	329	68	19
Operating cashflow	6,411	515	6,725	3,076	1,538
Capital expenditure	1,028	1,824	2,575	2,296	1,867
AT YEAR END ($'000)					
Total assets	79,570	79,807	81,634	77,664	75,817
Total liabilities	27,682	28,999	29,999	27,170	25,509
Equity attributable to owners of the Company	49,394	48,461	48,918	48,545	48,673
Net current assets	24,734	18,726	18,973	22,194	33,786
Cash and cash equivalents	13,784	11,491	11,124	8,723	7,772
KEY FINANCIAL RATIOS					
Revenue growth (%)	(10.2%)	(2.5%)	9.1%	3.2%	(6.7%)
Net profit growth (%)	128.9%	22.2%	383.8%	257.9%	(95.2%)
Gross profit margin (%)	30.6%	30.4%	29.9%	29.5%	28.4%
Net profit margin (%)	1.2%	0.7%	0.6%	0.4%	0.3%
Debt-to-equity ratio (times)	0.53	0.57	0.58	0.54	0.51
Return on shareholders' equity (%)	1.9%	0.8%	0.7%	0.1%	0.0%
Return on total assets (%)	1.2%	0.5%	0.4%	0.1%	0.0%
Dividend payout ratio (%)	37.1%	56.5%	69.0%	-	1,194.7%
PER SHARE INFORMATION (CENTS)					
Earnings per share	0.81	0.35	0.29	0.06	0.02
Net assets per share	45.71	44.75	45.48	44.48	44.31
Cash per share	12.14	10.12	9.80	7.68	6.85
Dividend per share	0.30	0.20	0.20	-	0.20
MARKET CAPITALISATION ($'MILLION)					
At close of business on the first trading day after the announcement of audited results	18.16	21.68	24.98	13.85	18.05

Value Added Statement

($'000)	2019	2018	2017	2016	2015
Revenue earned	76,915	85,667	87,824	80,470	77,970
less : Purchase of goods	(60,025)	(67,432)	(69,028)	(63,968)	(62,849)
Gross value-added from operations	16,890	18,235	18,796	16,502	15,121
Other income	3,632	1,637	119	301	217
Exchange (loss) gain	(41)	(356)	(245)	(15)	495
Share of losses of associate	-	-	(10)	(30)	(46)
Total value-added available for distribution	**20,481**	**19,516**	**18,660**	**16,758**	**15,787**
Distribution:					
To employees					
- Salaries and other related costs	14,871	14,974	14,499	13,822	12,589
To government					
- Corporate and other taxes	668	925	763	212	832
To providers of capital					
- Interest paid on borrowings	586	513	387	339	302
- Dividends to shareholders	227	227	-	227	454
Retained for re-investment and future growth					
- Depreciation and amortisation	3,070	2,167	1,895	1,858	1,617
- Accumulated profits	693	175	329	(159)	(435)
- Non-controlling interests	24	166	220	254	253
Non-production cost and income					
- Bad trade receivables written off	377	249	7	44	43
- (Reversal of) Impairment loss on trade receivables	(52)	96	616	178	182
- Allowance (Write back of allowance) for inventory obsolescence	17	24	(56)	(17)	(50)
Total distribution	**20,481**	**19,516**	**18,660**	**16,758**	**15,787**
PRODUCTIVITY DATA					
Number of employees	595	507	551	550	507
Value added per employee ($'000)	34	38	34	30	31
Value added per dollar of employment cost	1.38	1.30	1.29	1.21	1.25
Value added per dollar of revenue	0.27	0.23	0.21	0.21	0.20
Value added per dollar of investment in property, plant & equipment and brooker stocks	0.44	0.45	0.46	0.45	0.43

Financial Review

Statement of Profit or Loss

REVENUE – Decreased by approximately $8.8 million or 10.2% mainly due to reduction in revenue contribution from core business segments - Fish and Accessories.

Despite better sales generated from the Group's aquaculture business, it was offset by the decline in Dragon Fish revenue, which has affected the overall Fish revenue contribution. Decrease in revenue from the Accessories segment was attributable to the disposal of a China subsidiary in FY 2018, with the intention to consolidate and to streamline the Group's accessories operations in China, coupled with the weakening purchasing sentiments experienced globally.

GROSS PROFIT – Decreased by $2.5 million or 9.7% mainly due to reduction in revenue generated during the financial year as mentioned above.

OTHER INCOME – Mainly consisted of handling income of $3.5 million which was derived from the handling of transhipments in relation to the aquaculture business in FY 2019.

PROFIT BEFORE TAX – Increased by $0.3 million or 36.6% in FY 2019, notwithstanding the lower revenue registered due to the decrease in operating expenses with the disposal of a China subsidiary in FY 2018, which was partially offset by the higher personnel expenses and annual salary revision, as well as more expenses incurred to enhance marketing efforts.

TAX EXPENSE – The effective tax rate registered were lower than the amount obtained by applying the statutory tax rate of 17% on profit before tax mainly due to tax incentives utilised by the Group during the financial year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY – Improved significantly as a result of additional income source and better margins from operating activities. Net profit margin improved from 0.7% to 1.2%.

	2019 $'000	2018 $'000	Change %
REVENUE			
- Fish	29,847	34,614	(13.8)
- Accessories	35,478	39,095	(9.3)
- Plastics	11,590	11,958	(3.1)
TOTAL REVENUE	**76,915**	**85,667**	**(10.2)**
Less : Cost of sales	(53,404)	(59,625)	(10.4)
GROSS PROFIT	**23,511**	**26,042**	**(9.7)**
Add : Other income	3,632	1,637	121.9
Less : Operating expenses	(26,084)	(26,904)	(3.0)
PROFIT BEFORE TAX	**1,059**	**775**	**36.6**
Less : Tax expense	(115)	(207)	(44.4)
PROFIT FOR THE YEAR	**944**	**568**	**66.2**
PROFIT ATTRIBUTABLE TO:			
Owners of the Company	**920**	**402**	**128.9**
Non-controlling interests	24	166	(85.5)
PROFIT FOR THE YEAR	**944**	**568**	**66.2**

Statement of Financial Position

TOTAL ASSETS – Decreased marginally by $0.3 million or 0.3% as at 31 December 2019.

Increase in property, plant & equipment was mainly related to capital expenditure incurred in relation to the construction of farm facilities located in Thailand and China, coupled with on-going enhancements to farm facilities in Singapore, as well as the inclusion of right-of-use (ROU) assets following the adoption of the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 *Leases*, which took effect on 1 January 2019. The increase was partially offset by the depreciation charge on the property, plant and equipment during the financial year.

Increase in intangible assets was due to goodwill on consolidation arising from the acquisition of Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH"), a former subsidiary of the Group in December 2019.

Increase in inventory was due to the inclusion of inventory balance from GZQH following its acquisition in FY 2019.

Decrease in trade and other receivables was due to the reclassification of balances due from GZQH to related company balances following its acquisition during the financial year.

TOTAL LIABILITIES – Decreased by $1.3 million or 4.5% as at 31 December 2019.

Decease in trade and other payables was mainly due to prompt settlement of trade payables so as to secure better trade discounts with our regular suppliers for purchases made.

Increase in loans and borrowings was mainly due to the significant increase in lease liabilities as following the adoption of the new SFRS(I) 16 as mentioned above, which was substantially offset by the settlement of bank borrowings and lease liabilities during the financial year.

SHAREHOLDERS' FUNDS – Increased by $0.9 million or 1.9% as at 31 December 2019 which was mainly a result of profit attributable to equity holders for the financial year, partially offset by the payment of dividends to shareholders of the Company in April 2019.

NON-CONTROLLING INTERESTS – Increased by $0.1 million or 6.3% as at 31 December 2019 due to profit contribution from the non-wholly-owned subsidiaries during the financial year.

	2019 $'000	2018 $'000	Change %
TOTAL ASSETS	**79,570**	**79,807**	**(0.3)**
- Property, plant and equipment	11,258	9,536	18.1
- Intangible assets	7,187	3,289	118.5
- Brooder stocks	10,280	10,521	(2.3)
- Inventories (including breeder stocks)	18,365	15,984	14.9
- Trade and other receivables	18,696	28,986	(35.5)
- Cash and cash equivalents	13,784	11,491	20.0
TOTAL LIABILITIES	**27,682**	**28,999**	**(4.5)**
- Trade and other payables	9,492	11,058	(14.2)
- Tax liabilities	382	395	(3.3)
- Loans and borrowings	17,808	17,546	1.5
Total equity attributable to owners of the Company	**49,394**	**48,461**	**1.9**
Total non-controlling interests	**2,494**	**2,347**	**6.3**

Financial Review (Cont'd)

Business Segment Performance

Qian Hu Group has its main presence in five countries, namely, Singapore, Malaysia, Thailand, Indonesia and China, which consists of 15 subsidiaries (collectively known as the "Group") as at 31 December 2019.

The Group has three main business activities - Fish, Accessories and Plastics. For the financial year ended 31 December 2019 ("FY 2019"), the Group recorded revenue of $76.9 million, of which approximately 85% was contributed by the core businesses (Fish and Accessories), while Plastics contributed the remaining 15%. The Fish business accounted for 41% the Group's operating profit compared to 34% from Accessories and 25% by Plastics.

	Fish	Accessories	Plastics	Others	Total
FY 2019					
Revenue	29,847	35,478	11,590	-	**76,915**
Profit (loss) before tax	1,857	1,516	1,135	(3,449)	**1,059**
FY 2018					
Revenue	34,614	39,095	11,958	-	**85,667**
Profit (loss) before tax	1,293	1,769	762	(3,049)	**775**

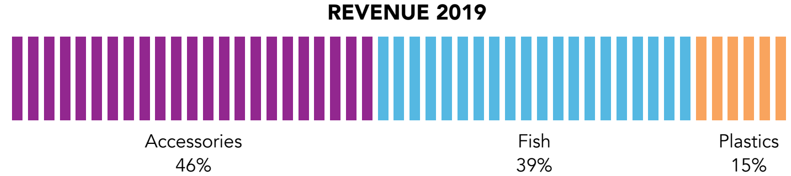
Fish - *includes fish farming, breeding, distribution and trading of ornamental and edible fish/seafood*

Accessories - *includes manufacturing and distribution of aquarium and pet accessories*

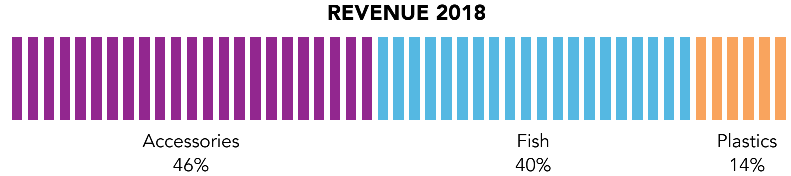
Plastics - *includes manufacturing and distribution of plastic bags*

Others - *includes Corporate Office and consolidation adjustments which are not directly attributable to a particular business segment above*

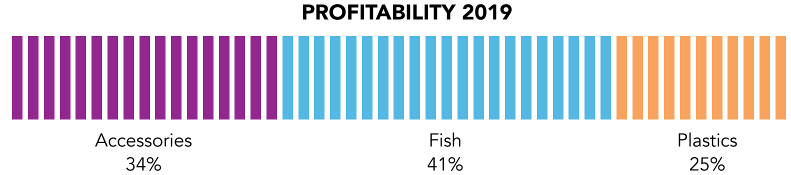
REVENUE 2019



REVENUE 2018



PROFITABILITY 2019



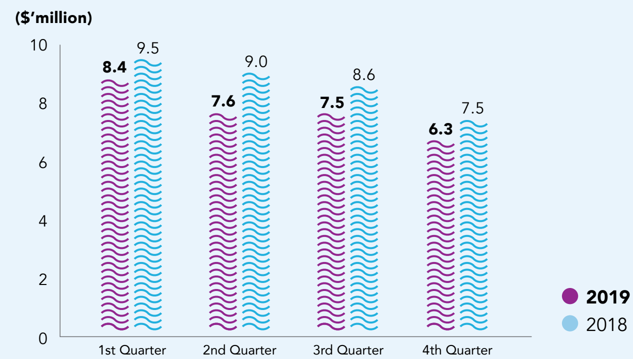
PROFITABILITY 2018

FISH

The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming, wholesales and distribution activities. Through its distribution hubs in Singapore, Malaysia, China, Thailand and Indonesia, Qian Hu exports over 1,000 species and varieties of ornamental fish directly to more than 80 countries and cities as well as distributes to domestic retailers and exporters, reinforcing Singapore's premier reputation as the Ornamental Fish Capital of the World.

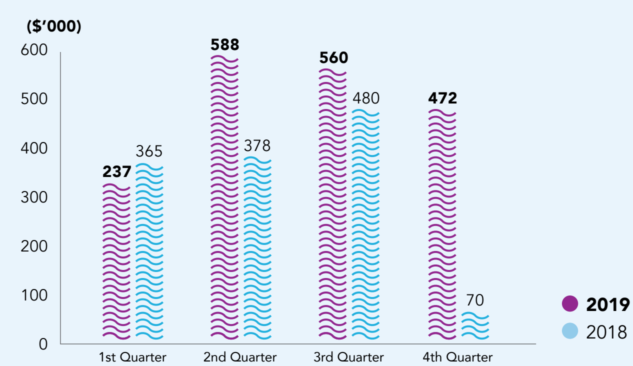
REVENUE

With higher revenue generated from the aquaculture business in the Hainan Province (China), as well as our continuous efforts to increase our export of ornamental fish by diversifying to more customers and more countries around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia, it had given rise to a positive growth in our Fish revenue contribution. The improvement, however, was offset by the intense price competition from the sales of Dragon Fish since the previous financial year, which had resulted in a continuous decline in its revenue throughout the year. This had, to some extent, affected the overall Fish revenue contribution in FY 2019.



PROFITABILITY

Notwithstanding the lower revenue contribution from the Fish business in FY 2019, the difference in sales mix recorded in both financial years (by focusing more on the aquaculture business while gradually downsizing our Dragon Fish activities), coupled with the resilience of our ornamental fish export business, continued to generate respectable profit margins. The profits delivered by the aquaculture business had also lifted the profitability of the Fish business during the financial year.



Review

Financial Review (Cont'd)

Business Segment Performance

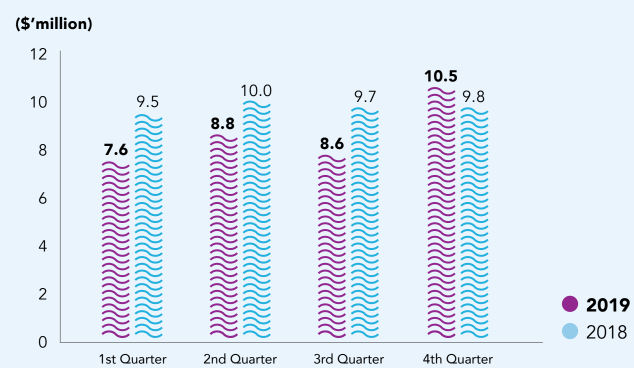
ACCESSORIES

The distribution of accessories complements the ornamental fish operations by providing a "one-stop" shop to meet customers' aquarium needs. The Group distributes more than 3,000 types of aquarium and pet accessories of our own proprietary brands and for more than 10 major manufacturers and principals to local retailers and wholesalers mainly in Asia and Singapore.

In addition, since 2004, Qian Hu started penetrating the retail market with a chain store concept, "*Qian Hu -- The Pet Family*", with which it intends to professionalise a highly fragmented niche market into a mass market industry. It has retail chain stores in China, Malaysia and Thailand. All the chain stores sell both ornamental fish and related aquarium & pet accessories while some stores also provide pet grooming activities.

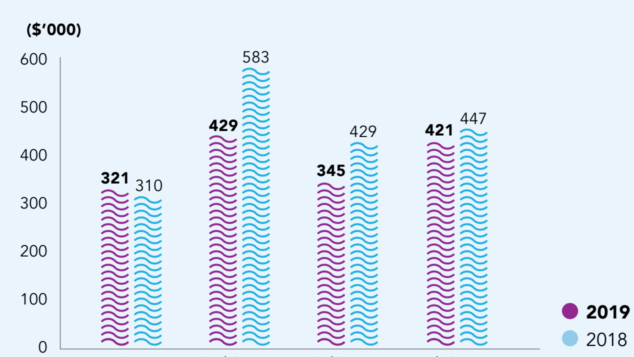
REVENUE

With the Accessories business being more export-oriented, it managed to leverage on the Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. Nonetheless, the reduction in revenue contribution from the Accessories business was mainly a result of the disposal of a China subsidiary in FY 2018, with the intention to consolidate and to streamline the Group's accessories operations in China, coupled with the weakening purchasing sentiments experienced globally.



PROFITABILITY

The lower profit derived from the Accessories segment was in line with the reduction in revenue contribution in FY 2019 due to reasons as mentioned above. The difference in sales mix, as well as the on-going efforts made to capture more sales, has also sliced off the profitability of this business segment. In addition, there were initial costs incurred in aligning the business activities of the newly acquired subsidiary in Guangzhou into the operation framework of the Group.

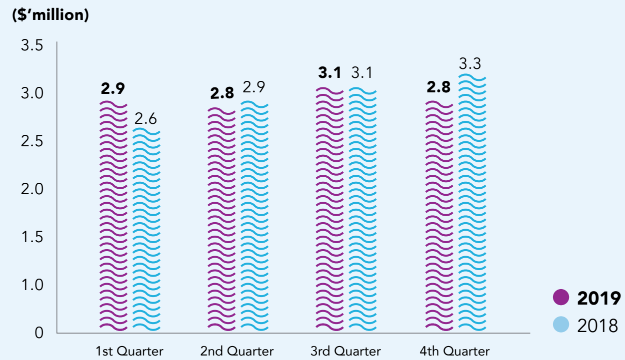


PLASTICS

As an ancillary business, the Group manufactures plastic bags for its own use in the packing of ornamental fish for sale in a separate factory located in Woodlands. The plastic bags are also supplied to third parties in the ornamental fish, food, electronics and healthcare industries.

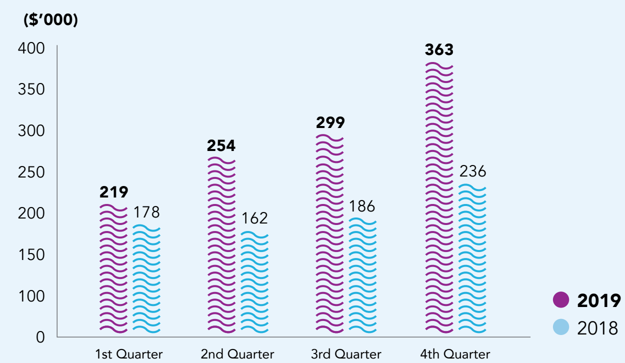
REVENUE

The decline in revenue registered from the Plastics activities during the current financial year was mainly due to lower sales of plastic products to the consumer sector as a result of the softening of demand from the domestic market. The Group had managed to focus on generating revenue through selling products with sustainable margins instead of entering into price war with competitors.



PROFITABILITY

Despite lower revenue generated from the Plastic business, the favourable raw material prices, as well as the stable selling prices of the plastic products, had resulted in the improved profit margins in FY 2019.



Review

Financial Review (Cont'd)

Capital Management

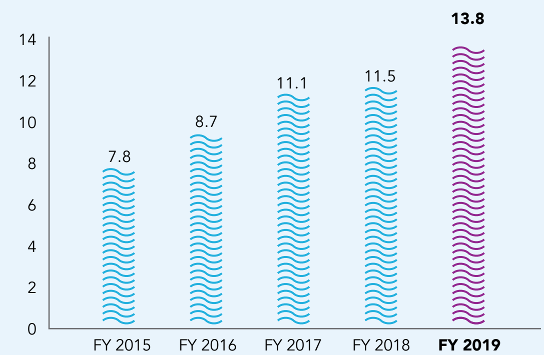
The Group maintains a strong balance sheet (Statement of Financial Position) and an efficient capital structure to maximise returns for shareholders. The Group has sufficient cash and cash equivalents and an adequate amount of standby credit facilities. The funding of working capital requirements and capital expenditure is through a mix of short-term money market borrowings and long-term loans.

As at 31 December 2019, credit facilities in the form of short-term loans, bank overdrafts, letter of credit and other banking facilities provided by major banks to the Group amounted to approximately $27.7 million (31/12/2018: $26.5 million) of which approximately $15.2 million (31/12/2018: $17.1 million) was utilised.

CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents increased by approximately $2.3 million in FY 2019 to $13.8 million as compared to approximately $11.5 million a year ago.

CASH AND CASH EQUIVALENTS ($'million)



The movements in cash and cash equivalents during both financial years are set out as follows:

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

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

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

	2019 $'000	2018 $'000
Net cash from operating activities	6,411	515
Net cash used in investing activities	(687)	(884)
Net cash (used in) from financing activities	(3,462)	722
Net increase in cash and cash equivalents	2,262	353
Cash and cash equivalents as at end of year	**13,784**	**11,491**

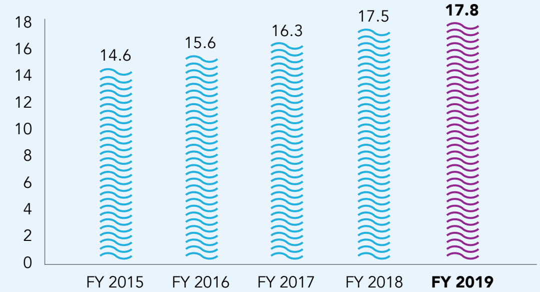
LOANS AND BORROWINGS

The Group borrows from local and foreign banks mainly in the form of short-term loans.

The Group is in compliance with all borrowing covenants for the financial year ended 31 December 2019.

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

LOANS AND BORROWINGS
($'million)



The amounts of Group's borrowings for the both financial years are as set out below:

The weighted average effective interest rates relating to **bills payable to banks** is 5.03% (31/12/2018: 5.22%) per annum. These bills mature within one to four months from the reporting date.

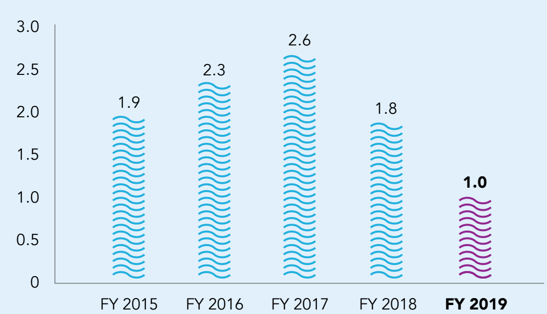
The unsecured **short-term loans** are revolving bank loans that bear interest at rates ranging from 2.71% to 2.95% (31/12/2018: 2.53% to 3.00%) per annum and are repayable within the next 12 months from the financial year end.

	2019 $'000	2018 $'000
Current liabilities:		
Bills payable to banks (unsecured)	185	407
Lease liabilities (2018: finance lease liabilities)	1,123	223
Short-term bank loans (unsecured)	15,000	16,700
	16,308	17,330
Non-current liabilities:		
Lease liabilities (2018: finance lease liabilities)	1,500	216
Total borrowings	**17,808**	**17,546**

CAPITAL EXPENDITURE

In FY 2019, there was approximately $0.3 million and $0.2 million of capital expenditure incurred in relation to the construction of overseas farm facilities and the purchase of machinery in Singapore respectively. Another $0.3 million was in relation to the purchase of motor vehicles. In addition, there were on-going enhancements to infrastructure and farm facilities in Singapore so as to enhance operational efficiency.

CAPITAL EXPENDITURE
($'million)



Review

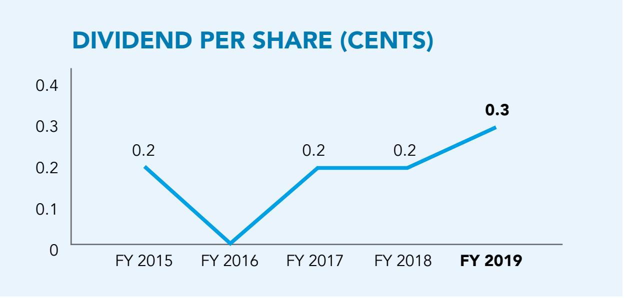
Financial Review (Cont'd)

Shareholders' Returns

It has been Qian Hu's priority to achieve long-term capital growth for the benefit of the shareholders. The bulk of the profits, when made, shall therefore be retained for investment into the future. Nevertheless, the Company recognises the desire of some of its shareholders to receive income out of their investment in the Company. Therefore, the Company strives to distribute, year after year and when its cash flow permits, an appropriate sum of dividends to reward its shareholders for their loyalty and support for the Company over the years.

Qian Hu has formalised its dividend policy to provide a return to shareholders at least once a year through the payment of dividends. It aims to pay a sustainable and growing dividend over time, consistent with long-term growth prospects. The form, frequency and amount of dividends declared each year take into consideration its financial performance, cash position, cash flow generated from operations, projected capital requirements for business growth, general global economic conditions and other relevant factors as the Directors may deem appropriate.

The Company paid a final cash dividend of 0.2 Singapore cents per ordinary share for the financial year 2018. For the financial year ended 31 December 2019, the Directors are pleased to declare a final dividend of 0.3 Singapore cents per ordinary share (one-tier tax exempt), paying up to at least 37% of its current year's net earnings. The proposed dividend, if approved by the shareholders of the Company at the forthcoming Annual General Meeting to be held on 26 March 2020, will be paid out on 23 April 2020.



Awards & Accolades

Business Excellence

Singapore Quality Awards
– 2004 & 2009: Awarded by SQA Governing Council, SPRING Singapore

People Developer Standard
– 2006: Awarded by SPRING Singapore

Professional Enterprise Award
– 2007: Awarded by Asian Management Association and Certified Consultant Academy

SQC Innovation Class
– 2008: Awarded by SPRING Singapore

Pro-Family Business Mark Certification
– 2008: Awarded by Singapore Productivity Association

People Excellence Award
– 2009: Awarded by SQA Governing Council, SPRING Singapore

Global Performance Excellence Award
– 2011: Awarded by Asia Pacific Quality Organisation – Best in Class 2011 (Small Service Organisation)

Singapore Sustainability Awards
– 2012: Awarded by Singapore Business Federation – Top Honours (Small & Medium Enterprise)

Service Excellent (Silver Award)
– 2012: Awarded by SPRING Singapore

Midas Touch Asia Enterprise Award 2013
– 2013: Awarded to enterprises in Asia Pacific which have the potential for exponential growth in the next decade

Innovation Excellence Award
– 2013: Awarded by SQA Governing Council, SPRING Singapore

SBR Listed Companies Awards 2015
– 2015: Awarded by the Singapore Business Review – Winner in Agriculture category

Note:

The Standard, Productivity and Innovation Board (SPRING Singapore) has merged with International Enterprise (IE) Singapore to form Enterprise Singapore in April 2018.

Governance & Transparency

Singapore Corporate Awards
Companies with less than $500 million in market capitalisation
– 2006: Best Annual Report – Gold
Best Investor Relations – Gold
– 2008: Best Managed Board – Merit

Companies with less than $300 million in market capitalisation
– 2009: Chief Financial Officer of The Year – Ms Lai Chin Yee;
Best Managed Board – Merit
Best Investor Relations – Bronze
Best Annual Report – Gold
– 2010: Best Managed Board – Gold
– 2011: Best Investor Relations – Gold
– 2012: Best Annual Report – Gold
– 2013: Best Managed Board – Bronze
– 2014: Best Investor Relations – Gold
– 2015: Best Annual Report – Gold
– 2018: Best Annual Report – Gold

SIAS Most Transparent Company Award
– 2001 & 2002: Winner in SESDAQ & Small Caps category
– 2003: Winner in Services/Utilities/Agriculture category & Golden Circle Special Merit Award
– 2004: Winner in Mainboard Small Caps category & Runner-up in Services/Utilities/Agriculture category
– 2005 & 2006: Runner-up in Mainboard Small Caps category
– 2007 to 2011: Winner in Mainboard Small Caps category
– 2015: Runner-up in Food and Beverages category

SIAS Singapore Corporate Governance Award
– 2013: Merit in Small Caps Category
– 2017: Runner-up in Small Caps Category
Runner-up in Consumer Discretionary Category

Business Times' Corporate Transparency Index (CTI)
– 2002, 2004 to 2008: 1st Position

Best Managed Board Award
– 2003: Special Mention

IR Magazine Southeast Asia Awards
Small or Mid-Cap category
– 2007:
Grand Prix for Best Overall Investor Relations – Winner
Best Corporate Governance – Winner
Best Financial Reporting – Highly Recommended
Most Progress in Investor Relations – Highly Recommended

Sustainability at Qian Hu

CONTENTS

Report Scope

Overview

Sustainability has always been embedded as part of our operating DNA since as early as FY 2011 when we published our very first sustainability report. This year, our eighth report remains anchored on our belief in improving lives through long-term sustainable initiatives.

Within, we address the activities, data and measurements, where applicable, that fall within our financial year of reporting – 1 January to 31 December 2019. Unless otherwise stated, the Sustainability Report 2019 (or "the Report") covers our markets of operations: Singapore, Malaysia, China, Thailand and Indonesia. All figures are represented in Singapore dollars.

GUIDELINES AND METHODOLOGY

The Report covers our performance with respect to the identified Economic, Social and Governance ("ESG") factors which are material to our Group. It has been prepared based on the GRI Standards: Core Option and is also in compliance with the SGX-ST Listing Rules 711A and 711B and the SGX Sustainability Reporting Guide. The GRI Content Index is contained on pages 89 to 91, indicating the location of the applicable disclosures within the Report.

ASSURANCE

This Report is not externally assured. We relied on our internal verification mechanisms to validate the accuracy of reporting. Our Financial Statements have, however, been independently audited. We plan to seek assurance in future as we adopt a phased approach to our reporting with progressive improvements to our reporting process meanwhile.

FEEDBACK

We welcome comments, views and suggestions on this report. All queries can be addressed to feedback@qianhu.com.

The Board's Message

As an organisation, Qian Hu always strives to add value – to our shareholders in the form of steady returns, to our customers in providing the best goods and services, as well as to the wider community at large; where we do our part to give back through our outreach efforts and our environmental awareness and sustainability practices.

Without exception, this year we have worked to comply with the Singapore Exchange Securities Trading Limited ("SGX-ST") listing guidelines and use the internationally accepted GRI Standards as a reporting framework. We have been reporting on our sustainability issues as far back as 2011, and this edition marks our third sustainability report prepared in accordance with SGX-ST Listing Rules. We have also further complied with the SGX-ST's Sustainability Reporting Guide with improvements to our report, providing descriptive and quantitative information on how our businesses are conducted and how our ESG factors are being managed for a sustainable future.

Our approach to sustainability remains guided by attentiveness to stakeholders needs, identification of key environmental, social and governance ("ESG") factors and adherence to the sustainable framework we had put in place to track our progress.

We have taken positive steps, but we are also aware that there are still areas which can be refocused and improved as well. In line with our corporate vision and mission, we endeavour to continue to deliver sustained value to all our key stakeholders while progressing our sustainability goals.

Sincerely,
Board of Directors
Qian Hu Corporation Limited

Our Approach & Strategy

Governance Structure

To ensure that core sustainability issues are incorporated into our corporate agenda, we have established a dedicated governance framework to drive, govern and manage the sustainability function. This structure drives our priorities to protect the long-term interests of our shareholders and create value for our company and stakeholders.

Our Sustainability Reporting Team forms the core of our sustainability structure and is made up of a representative from each of our operating entities in Singapore, Malaysia, Thailand, Indonesia and China. This team is managed by our Managing Director who reports to the Board of Directors. The team is actively involved in driving the operations, reporting and implementation of our sustainability strategy and programmes in their respective entities.

This includes collaborating on sustainability initiatives and sharing sustainability best practices across the Group as well as overseeing the monitoring of quantitative and qualitative measurements, setting sustainability performance benchmarks and key performance indicators.

The team also works closely with other business functions, namely, operations, human resource, and procurement in the Group's sustainability efforts and the development, execution and reporting of the Group's sustainability programme.

The Board of Directors has the ultimate responsibility for the Group's sustainability strategy and reporting and maintains oversight of the Group's sustainability direction. The Board is kept apprised of sustainability programmes, activities and progress regularly, and reviews the sustainability strategy annually. The strategy is also reviewed against the overall business strategy, taking into consideration prevailing trends, economic conditions and geopolitical issues which may affect the Group.

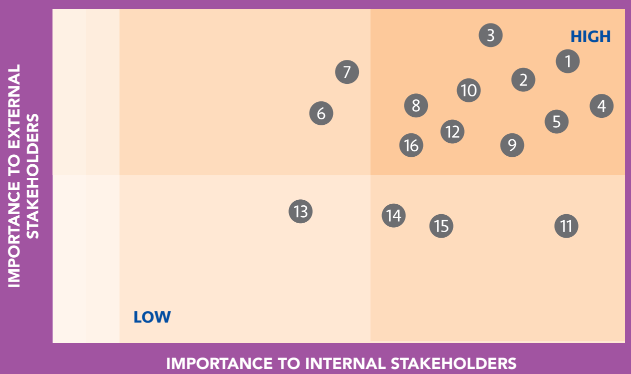
Defining Material Issues

To identify the key material factors material to our Group, we considered those that would have the greatest impact on our operations, stakeholders and the environment around us. We have undertaken the materiality assessment through the following approach:

1. **Identification** – The Sustainability Project Team identified the material ESG factors based on their knowledge of the respective business areas, industry challenges and impact on the Group's businesses.
2. **Prioritisation** – The material ESG factors were prioritised through analysis of our internal operations, consultation with key personnel in various business divisions to harness their collective expertise and researching and reviewing industry trends and forecasts.
3. **Validation** – We re-examined and analysed the significance of the material impacts and their outcomes on our business, stakeholders and the community at large.
4. **Review** – We sought feedback from stakeholders through our day-to-day engagements and consultation with them to establish the direction for sustainability reporting.

The materiality assessment is endorsed by the Board of Directors. The prioritisation of the material issues is reviewed yearly in the context of the prevailing global, economic, and business conditions. The identified material issues and their prioritisation remain unchanged from last year's report.

The following are the material factors identified and prioritised.



1	Corporate Governance	**9**	Economic Performance
2	Anti-Corruption	**10**	Product Health Management
3	Risk Management	**11**	Innovation
4	Employee Engagement	**12**	Workplace Safety
5	Customer Satisfaction	**13**	Community Involvement
6	Human Rights	**14**	Non-Discrimination & Diversity
7	Stakeholder Dialogue	**15**	Training & Education
8	Environment Management	**16**	Supply Chain Management

Engaging Stakeholders

In order to ensure that our business interests are aligned with those of our stakeholders, we regularly engage with them through various medium and channels. This helps us understand and address their concerns, while improving our own service and product standards, and business operations for long-term growth and sustainability.

Our stakeholders have been identified as those who are impacted by our business and operations and those who similarly are able to impact our business and operations.

Six of these stakeholder groups have been assessed and identified according to their significance to our operations, namely, suppliers, customers, employees, community, investors and regulators.

Our stakeholder issues and engagement platforms are detailed below:

STAKEHOLDERS	KEY ISSUES	ENGAGEMENT PLATFORMS
Suppliers	• Product quality assurance • Product pipeline • Supply chain management	• Suppliers' Code of Conduct • Monthly supplier visits / meetings • Quarterly review meetings
Customers	• Customer satisfaction • Quality products and services • Available feedback platforms • Sustainability efforts	• Annual customer satisfaction survey • Farm visits • Product training • Qian Hu's owned websites • Qian Hu's social media platforms e.g. Facebook, YouTube • Feedback handling through emails / phone calls
Employees	• Benefits and remuneration • Employee engagement • Talent retention and career progression • Employee safety and well-being • Training and development	• Quarterly staff dialogue and sharing sessions • Mobile chat groups and SMS • Closed group on Facebook's 'Workplace' platform • Regular floor walks • Bi-annual "Fish Matrix" newsletter • Annual employee opinion survey • Whistle blowing policy • Employee appraisal • Internal and external trainings
Community	• Doing our part as a corporate citizen	• Educational farm tours • Employee community programmes and initiatives • Business community Interaction and sharing sessions
Investors	• Financial performance and stability • Long-term growth plans • Business diversification • Operational efficiency • Regulatory compliance • Risk management • Corporate governance • Sustainability efforts	• Dedicated Investor Relations website • Half-yearly financial results announcements • Analyst & media financial results briefing, media releases and presentation slides • Media interviews • 1-on-1 meetings • Annual General Meeting ("AGM") • Detailed AGM minutes available online
Regulators	• Compliance with laws and regulations • Anti-corruption and bribery	• Develop and maintain relationships and communication channels with government agencies and regulators across different business aspects • Regular meetings with Animal & Veterinary Service (formerly known as Agri-Food & Veterinary Authority of Singapore) on statutory requirements and new developments in the ornamental fish sector

Our Focus, Commitments & Targets

Following the identification of our material factors and key stakeholders, we have mapped out our sustainability priorities and their boundaries, impact to stakeholders, current year performance and commitments and targets in the table below.

We aspire for our businesses to have a positive impact on the environment at large, while managing the Group's risk, leveraging opportunities and ensuring long-term financial soundness. We are committed to setting and achieving measurable targets and goals through a consistent approach to our reporting.

FOCUS	IMPACT TO STAKEHOLDERS	2019 PERFORMANCE	COMMITMENTS & TARGETS
Environmental Initiatives • Energy Consumption • Water Management • Recycling & Reuse of Materials	Applies to Qian Hu's operations in Singapore and overseas where our fish farm, pet accessories and aquaculture activities have definite impact on the environment. Issues ranging from environmental management to efficiency, reuse and conservation are key issues to all our stakeholders.	• Overall lower water and energy utilisation and its corresponding intensity - see page 46 and 47 of this Annual Report	• Reduce water and energy intensity by 15% by Year 2020 using Year 2016 as a baseline
Supply Chain Management • Engaging Our Suppliers • Customer Satisfaction • Product Health Management • Driving Innovation	Applies across Qian Hu's business operations in Singapore and overseas. While our products are designed to be reliable and of certain quality, we are also committed to upholding standards in animal welfare and sourcing our materials in a socially responsible manner. Our ability to innovate also translates to how we manage the continuity of Qian Hu's business in a responsible manner towards all our stakeholders.	• Customer satisfaction score of 4.21 (2018: 4.24) • 10 (2018: 17) new accessories products launched	• Continued to enhance customer satisfaction level with improved service and quality products • 10 to 12 products developed per year • Uphold highest standards of customer data privacy protection • Drive responsible business practices across the supply chain
Labour Practices & Conducive Workplace • Anti-Corruption • Upholding Human Rights • Non-Discrimination & Diversity • Workplace Safety • Employee Engagement • Training & Education	Fair and merit-based employment practices are important to our employees, investors, regulators, and community as they affect our ability to attract, retain, and develop talents under the direct hire of Qian Hu's offices and operations in Singapore and overseas. As a small-medium enterprise, business continuity, workplace safety and how we innovate are amongst the highest concerns to our stakeholders.	• Employees satisfaction score of 4.58 (2018: 4.57) • No incident of corruption and fraud • No incident of whistle blowing • 16 hours of training hours per employee • Employees' average monthly turnover rate – see page 58 of this Annual Report • Zero fatalities and workplace accidents reported	• Clear employees' rights set out in Staff Handbook distributed to all employees • Improvement in employees satisfaction score over the years • "Zero-tolerance" on corruption and fraud • Whistle blowing procedures • Average of 4 training days per employee per year • Turnover rate below industry average rate • Zero fatalities and workplace accidents across business operations in all markets
Stakeholder Engagement • Stakeholder Dialogue • Community Involvement	Our business is service-centric. An open, constant flow of communication using relevant platforms is important in all aspects of our operations, and applies to all our stakeholder groups. Building partnerships with our stakeholders and community contributes to Qian Hu's social licence to operate and is also relevant to many of our stakeholders.	• 168 hours (2018: 164 hours) in community involvement by employees • Analyst and media briefings held on 16 July 2019 (half year results) and 13 January 2020 (full year results)	• Ensure all communications platforms are clearly set out and are available • Increase percentage of employee participation in community initiatives • Analyst and media briefings in conjunction with the release of the Group's financial results
Corporate Governance • Corporate Governance • Risk Management	Applies across Qian Hu's business operations in Singapore and overseas. Compliance with legislation as well as national and international standards of corporate governance, anti-corruption, risk management, environmental, safety, product, and social responsibility. These are issues of interest to all our stakeholders.	• Results released on 16 April 2019 (1Q 2019), 16 July 2019 (2Q 2019), 16 October 2019 (3Q 2019) and 13 January 2020 (FY 2019) • No incident of legal non-compliance	• Commitment to release financial results - No later than 20 days from the end of each quarter (unaudited results) - 15 days from the financial year end (audited results) • Continuous strengthening of the enterprise risk management framework * Only half-yearly results will be released with effect from FY 2020 with the removal of quarterly reporting requirements.
Economic Performance • Financial Strength • Value Added Performance	All our internal and external stakeholders look to Qian Hu to deliver on financial performance, as well as our value added contribution to the societies and communities we operate in.	• Group revenue – \$76.9 million (2018: \$85.7 million) • EBITDA – \$4.7 million (2018: \$3.4 million) • Profit attributable to owners of the Company - \$0.9 million (2018: \$0.4 million) • Earnings per share – 0.81 cents (2018: 0.35 cents) • Net assets value per share – 45.71 cents (2018: 44.75 cents) • Final dividend of 0.3 cents per share – totaling approximately \$341K (2018: 0.2 cents)	• Revenue and profit growth • New business initiatives • Sustainable dividend payout • Prudent capital management

Environmental Initiatives

Environmental Compliance

At Qian Hu, we aim to minimise the impact our businesses have on the environment and its preservation. We proactively seek to implement practices that will lead to the sustainable use of resources, striking a balance between the need to use resources while preserving the natural balance. Ultimately, we seek to maximise our efforts at addressing environmental issues related to our business activities while working on economic gains for the organisation.

We have taken the necessary steps to ensure that we are in compliance with the prevailing laws and regulations of the countries in which we operate. In Singapore, our headquarters and centre of our operations, we comply with the environmental regulations set out by the local governing authorities such as the Animal & Veterinary Service (a cluster of NParks), the National Environment Agency and the National Parks Board.

In addition, we also monitor, evaluate and audit our Environmental Management System, which has met the regulatory requirements under the requisite ISO standards. We are guided by the standards in our daily activities of fish breeding, nurturing, retailing, trading and export, ensuring proper management of the environmental aspects of these activities. We also adhere to other international standards such as CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) and ISO 9001:2015 for Quality Management Systems.

Our factory in Guangzhou, China, holds the ISO 9001:2015 standard for Quality Management Systems and Qian Hu also holds the ISO 14001:2015 standard for Environmental Management Systems.

Our feedback channel: feedback@qianhu.com is an open avenue for the public to make enquiries or lodge feedback with respect to any environmental or other matters.

QIAN HU'S ENVIRONMENTAL POLICY

- Comply with all applicable laws, regulations and standards, and collaborate with the authorities and with other companies within the industry to develop standards and practical guides aimed at protecting natural resources, and the environment
- Undertake programmes of continual improvement and pollution prevention
- Reduce the use of environmental unfriendly packing materials and strive to develop alternative practices using new technologies, when available
- Reduce resource consumption and waste generation
- Provide the necessary training and support to staff
- Conduct regular reviews to ensure compliance

Energy Consumption

We are constantly looking at ways to reduce our energy consumption across our business entities. Besides closely monitoring our energy usage and implementing basic measures in some of our offices such as switching off the air-conditioner during lunch time, we make use of alternative sources of energy such as natural solar power where possible. One of our subsidiaries in China has installed solar panels comprising 1,200 pieces of solar tubes to supplement energy for the tropical fish room operations during winter months, cutting down the usage of electricity.

Sustainability

Environmental Initiatives (Cont'd)

Water Management

Given that water is one of the most used natural resources in Qian Hu's business, our focus has always been on finding ways to reduce water usage and reuse water to minimise wastage. Our ultimate goal, on which we are progressively working, is to operate an integrated closed-loop water recycling system, where we will be able to recycle all the water used in our operations.

Although that goal is a work-in-progress, we have made substantial strides in our water reduction and reuse efforts. Our Multi-Tier Automated Recirculation Holding Tank System, introduced as part of our Environmental Management System, which enables water to be recycled during the fish quarantine phase, has been installed in Singapore and most of our farms located overseas.

Typically, we have to change water daily during this phase, to remove leftover food and waste and to reduce the ammonia build-up in the tanks. With the use of this system, which is a multi-step filtration device, bio-load is broken down and quickly removed after which, an ultraviolet sterilizer further removes waterborne pathogens. This ensures that while we recycle water, it is not at the expense of the health of our fish, thus balancing our environmentally sustainable practices with our business objectives of producing high quality fish for distribution.

Aside from a reduction in water usage, the system also enables energy savings, since minimal maintenance is needed for the tanks using this system. In FY 2019, we have reduced the amount of wastewater discharged by 7%, decreasing the release of waste and effluents into the environment as a result.

In FY 2019, over 95% of our water consumption was from recycled water that is channelled from our in-house rainwater catchment areas built within our farms.

In addition, since FY 2018, we have installed a new water treatment system for the water storage tanks in Singapore. Using a bacterial nitrification process to reduce the water ammonia and nitrate levels and also increase the dissolved oxygen to improve water quality, we are enjoying more efficient use of stored water at our local facility.

With this, we have also been able to reuse water after it has been treated, reducing our water usage by about 30%.

ENVIRONMENTAL PERFORMANCE INDICATORS

	SINGAPORE				MALAYSIA				CHINA				THAILAND				INDONESIA			
	2019	2018	2017	2016	**2019**	2018	2017	2016	**2019**	2018	2017	2016	**2019**	2018	2017	2016	**2019**	2018	2017	2016
TOTAL WATER USE (m^3)	**6,803**	6,641	12,475	12,450	**17,942**	16,350	21,636	22,684	**25,433**	24,262	30,119	30,670	**69,245**	72,965	67,924	109,540	**184,109***	106,448	49,798	56,916
WATER USE INTENSITY (m^3/m^2)	**0.11**	0.11	0.20	0.20	**3.72**	3.14	4.15	4.41	**0.84**	1.17	2.15	2.86	**8.15**	8.58	7.99	12.89	**145.66**	84.22	39.40	45.03

** Increase in Indonesia's water usage in line with market expansion activities.*

Reduce, Recycle and Reuse

We make a concerted effort across the Group to reduce wastage through recycling and reuse of material with a waste management programme to track wastage, pursue recycling initiatives and reduce the use of environmentally unfriendly materials. Our subsidiaries also manage their own initiatives to recycle and reuse material.

Our staff in Singapore are encouraged to sort waste according to material type such as papers, cartons, cans and plastics by placing them in appropriate bins to aid the recycling effort. Meanwhile, we are constantly looking out for suitable alternative packaging to styrofoam for fish transportation, as well as new types of environmentally sustainable packaging which would help to minimise our carbon footprint.

In Thailand, the reuse of plastic bags is encouraged with used plastic bags from the fish sourcing centres being sent back to the farms to be used again, thus cutting down the incidence of single use plastics. Similarly, in Malaysia, recycling of carton boxes and paper bags is actively practised.

Our subsidiary, Qian Hu Tat Leng Plastic Pte Ltd, manufactures high- and low-density polyethylene bags across a wide range of commercial and industrial sectors. During the manufacturing process, cut-out plastic wastage is collected and sent to a third-party for recycling, where the recycled plastic resin is then added back to the manufacturing mix, cutting a tremendous amount of wastage. In FY 2019, a total of 138 tonnes of plastic wastage was recycled, as compared to 145 tonnes recycled in FY 2018.

	SINGAPORE				MALAYSIA				CHINA				THAILAND				INDONESIA			
	2019	2018	2017	2016	**2019**	2018	2017	2016	**2019**	2018	2017	2016	**2019**	2018	2017	2016	**2019**	2018	2017	2016
TOTAL ENERGY USE (MWH)	**3,209**	3,122	3,091	3,126	**637**	662	712	767	**903**	1,038	987	1,294	**695**	691	675	1,284	**316**	283	249	226
ENERGY USE INTENSITY (kmh/m²)	**51**	50	49	50	**132**	127	137	149	**30**	50	70	121	**82**	81	79	151	**250**	224	197	179

Supply Chain Management

Engaging Our Suppliers

For Qian Hu, the continued engagement and cooperation with our suppliers is vital for us to effectively pursue sustainable practices. As an integral part of our purchasing process and supply chain management, suppliers are key to our long-term growth and sustainability.

We engage with our suppliers regularly through various touchpoints, one of the most important being through regular meetings as part of our supplier partnership programme. These meetings are an important means for us to gather feedback, exchange ideas and formulate action plans to enhance our relationship so that we remain on track to achieve our common goals.

We also carefully select our suppliers based on track record and endorse them by way of our Approved Vendor List. Our suppliers are also chosen for their ability to complement and enhance our commitment towards providing high quality products and excellent service standards. They are expected to comply with our governing principles concerning environmental standards and fair social practices, which would have been communicated to them at the inception of our relationship. Where suppliers are unable to immediately meet our standards and specification, we will provide feedback to enable them to work on improving their practices in order to meet our standards.

In FY 2019, we engaged approximately 883 suppliers, as compared to 833 suppliers in FY 2018, on a global basis.

These suppliers were engaged in the provision of a wide range of goods and services which are used in our businesses, from accessories to aquaculture.

We are constantly and incrementally instilling higher standards throughout our entire supply chain which will ultimately lead to a higher level of product and services for our Group.

VALUE CHAIN & SUPPLY CHAIN ANALYSIS

	NO. OF SUPPLIERS	PRODUCTS / SERVICES	DISTRIBUTION	CUSTOMERS
Ornamental Fish	**436**	• Import & export of ornamental fish	• Own stores • Distributors • Retailers • Direct Sales • Online	• Retail stores • Hobbyists • General consumers e.g. families
Accessories	**392**	• Aquarium and pet accessories	• Own stores • Distributors • Retailers • Direct Sales • Online	• Retail stores • Hobbyists • General consumers e.g. families
Plastics	**40**	• Plastics products	• Distributors / principals • Retailers	• Supermarkets • Industrial customers
Aquaculture	**15**	• Edible fish fingerlings • Seafood products	• Secondary breeders • Retailers	• Secondary breeders • General consumers

Customer Satisfaction

Our commitment to customer best practice means that we strive to provide our customers with reliable service, high quality products and responsive after sales care.

With a customer base spanning more than 80 countries and cities and with the nature of our products involving the distribution of ornamental fish, logistic issues such as flight accessibility and connectivity are important components of timeliness of delivery and low DOA (dead-on-arrival) rates. With a wide distribution network, we are able to maintain a high level of efficiency in the delivery of our products.

As such, we engage our customers across a multitude of platforms such as feedback channels and direct inquiry platforms, dedicated servicing of specific customers, our website and social media platforms and trade shows and exhibitions which we participate in. Additionally, we make regular customer visits and maintain open communication through face-to-face meetings, phone calls and emails to ensure their needs are met.

Our customers are our priority and their satisfaction is monitored and tracked closely throughout the Group in order to address any shortcomings in our service and product standards, continually improve on our customer relationships and ensure their satisfaction with our offerings. At Qian Hu, we measure our customers' level of engagement with us through an annual Customer Satisfaction Index.

CUSTOMER SATISFACTION INDEX

2019	4.21
2018	4.24
2017	4.26
2016	4.11
2015	3.85
2014	3.69

Aside from this formal measurement of customer satisfaction, there are various qualitative indications of customer satisfaction levels.

CUSTOMER PRIVACY

Qian Hu takes the protection of our customers' privacy and data seriously and we are in strict compliance with the Personal Data Protection Act 2012. Our Personal Data Protection Policy sets out our approach to the management and safeguarding of personal data and is publicly accessible on our website at **www.qianhu.com/about-qian-hu/privacy-policy**. The policy applies to all entities and subsidiaries within the Group.

While we collect personal data in the course of providing our goods and services and after sales care, we do not sell, rent, give away, exchange or in any way divulge this data to third parties for commercial or other purposes, without the consent of customers.

There have been no reported breaches of the Personal Data Protection Act 2012 or of any non-compliance with our Personal Data Protection Policy in FY 2019.

All our employees are guided by Qian Hu's Code of Business Ethics and Conduct, which takes a strict view of any breach of customer confidentiality.

Supply Chain Management (Cont'd)

Product Health Management

CONSUMER HEALTH & SAFETY

With more than 3,000 types of fish, aquarium, pet accessories and products which are exported and sold in more than 80 countries and cities, we consider consumer health and safety to be of the utmost importance to us. As such, any non-compliance with health and safety issues will have far-reaching consequence, not only to the well-being of our customers and the community at large, but also to our brand equity. This in turn will have a bearing on our financial performance and may have legal and other consequences. We do not sell, use, provide or deal in any form of banned or disputed products which is our promise to our customers and a commitment to the highest standards of product health and safety.

We are in compliance with prevailing laws and regulations governing the respective products in the various countries in which they are sold. Our products such as aquarium and pet accessories are manufactured in accordance with HACCP (Hazard Analysis and Critical Control Points) and GMP (Good Manufacturing Practice) standards and are compliant to best practices such as MSDS (Material Safety Data Sheets). Our fish feeds, fish medication and pet food have guaranteed ingredient analyses with respect to nutritional values and content mix. About 20% of our significant product and service categories are continually assessed with the aim of further improving health and safety aspects.

PRODUCT & SERVICE LABELLING

As Qian Hu markets various types of fish food, fish medication, pet accessories and other related products, we ensure that we provide accurate and adequate information about these products. The sustainability impact of our products is transparently presented through our labelling and other packaging information, in order for consumers to make informed choices. Some of our products, such as our cat litter, already utilise environmentally friendly material. These include 100% natural pine wood, unbleached, chemical-free and harmful substance-free fibres which are reflected in the information on the packaging. We are constantly looking for ways to further improve the information on our labelling so as to enable our customers to make the best choices for their pets and for the environment.

In FY 2019, to the best of our knowledge, there have been no incidents of non-compliance with regulations and voluntary codes concerning products and service information and labelling by type of outcomes.

MARKETING COMMUNICATIONS

We uphold principles of responsible marketing and communications, effectively and accurately representing our brand, products and value propositions. All our marketing collaterals are in compliance with the Singapore Code of Advertising Practice, governed by the Advertising Standards Authority of Singapore, which is an advisory council to the Consumers Association of Singapore.

In addition, we have internal guidelines and procedures as well as an operational manual which sets out the proper practices to be adhered to by our Group in all communications, marketing and technology applications. In FY 2019, we are not aware of any breaches of guidelines or regulations with respect to advertising or marketing nor any incidence of false advertising or inaccurate or misleading representations of our Group, its products or services.

Driving Innovation

Innovation is at the heart of all that we do at Qian Hu, powering us to keep at the forefront of our industry and cater to the changing demands of our customers' lifestyles and needs. The spirit of curiosity, the thirst for knowledge and the drive for continuous improvement is encouraged across all levels within our organisation and we encourage new ideas and feedback.

OUR PAST SUCCESSES

Our past innovative efforts have been successfully implemented, brought to market and received positive response from our customers in the various markets.

- Patented Hydro-Pure technology
- Multi-tier quarantine tanks with Automated Water Recirculation System
- Early innovation in Arowana pellet food
- Large-scale Arowana Tank systems

In FY 2019, we are happy to report the following breakthroughs in our product segments.

Ornamental Fish	• New generation of Albino Arowana – working on other colours following the success of the Albino Silver Arowana
Aquarium Accessories	• OF Hydra Ginox – Hydra for up to 20 tonnes water filtration • OF UV Radiator – 240W UV for up to 20 tonnes water filtration • OF Professional Arowana Tank Mk4 – 4th generation Arowana tank with massive 3DM trickling filtration design • Aqua Zonic UV Sterilizer G3 - Aquarium UV sterilizer with timer control and 360-degree reflector that can be used directly with fish.
Pet Accessories	• Sumo Cat Tofu Cat Litter – naturally produced using human grade tofu, eco-friendly, non-toxic and chemical free

Sustainability

Labour Practices & Conducive Workplaces

Our Human Resource Philosophy

We hold the philosophy of "People First" very close to our hearts as we recognise that our human resource is our greatest asset. Qian Hu has been recognised as a People Developer as well as a recipient of the People Excellence Award by SPRING Singapore, a testament to our employee development programmes and employment planning.

We believe in engaging and developing our employees to their fullest potential so as to enable them to progress through the organisation and to effectively participate and contribute to the growth of the organisation. We review and adjust our human resource policies annually to ensure that we are in compliance with prevailing employment laws, regulations and industry trends.

Our positive employee retention record reflects the Group's sound employer-employee relations. We have a diverse, multi-cultural and multi-talented workforce. We encourage our employees to have fun within and outside the workplace and instil a spirit of creativity and adventure in their work.

Upholding Human Rights

Qian Hu is committed to upholding internationally accepted human rights principles, including those related to child labour, forced labour and human trafficking.

In Singapore, we are in compliance with the Singapore Prevention Against Human Trafficking Act 2014 (Chapter 45) as well as other prevailing legislations in the countries in which we operate. We do not engage indirectly either in business with partners, suppliers or third-party manufacturers that are known to use unethical means in their business processes. We also respect and protect the rights of our own employees and the freedom of association and collective bargaining. Nevertheless, as we are a small-medium enterprise, our business does not involve trade unions and as such no employees are covered under collective bargaining agreements.

We have not received any reports of labour or human rights violations by the Group or its subsidiaries in FY 2019.

Anti-Corruption

Qian Hu adopts a zero-tolerance approach to any form of bribery and corruption and will not hesitate to take all necessary action against any such acts. We strictly respect all prevailing anti-corruption legislation in all the markets in which we operate. Our stance in this respect is detailed in our anti-corruption policies contained in our Staff handbook under our "Code of Business Ethics and Conduct".

All employees are taken through the Code during the employment orientation and induction sessions. We also communicate our anti-corruption policies to all our suppliers, sub-contractors and other business partners at the outset of our working relationship. Additionally, our Finance Department has strict oversight of payments and receipts with appropriate controls and procedures in place to monitor and prevent any irregular forms of payments or receipts.

We also have a set of guidelines for our employees around the receipt and giving of gifts, entertainment, sponsorships and charitable contributions in the course of their work. The guidelines are readily accessible on our Employee Portal.

In FY 2019, there have been no reports of corruption or cases of suspected corruption.

CORPORATE VALUES & BUSINESS CONDUCT

Any unethical or unlawful behaviour can have far-reaching impact for our Group, both in terms of financial and legal consequences as well as brand reputation. As such, all Qian Hu employees have to abide strictly by our Code of Business Ethics and Conduct. Disciplinary action will be enforced in the event of violations of this code, including termination of employment in cases of serious breaches, aside from any other legal action such as fines, penalties, imprisonment or claims for damages that may ensue as a result of any breach of prevailing laws and regulations.

Total of 595 employees
as at 31 December 2019

190
BASED IN SINGAPORE
The rest from overseas subsidiaries in Malaysia, China,Thailand and Indonesia

27.2%
5 - 10 years of service

25.9%
more than 10 years of service

63.2%
MALE

36.8%
FEMALE

50+

12.4%
ABOVE 50 YEARS OF AGE

Non-Discrimination & Diversity

At Qian Hu, we employ and provide development opportunities based on the necessary skills, experience and work ethics which will enable individuals to excel in their relevant roles – irrespective of their gender, ethnicity, religion, sexual orientation, disability or any other non-work related personal attributes.

Our commitment to fair employment is demonstrated by our pledge to uphold the Fair Employment Practices governed by the Tripartite Alliance for Fair Employment Practices ("TAFEP"), formed by the Ministry of Manpower, Singapore National Employers Federation and the National Trade Union Congress. Pursuant to the pledge, we are committed to fair and progressive employment practices that will promote an inclusive workplace for all, based solely on merit and ability and governed by progressive human resource practices. We provide equal opportunities for progression within the organisation, training and development and other enrichment opportunities.

We also provide attractive employee benefit to all our employees, full-time as well as part-time, on a fair and equitable basis, including insurance, health care benefits and parental leave. Our benefits are a key factor in our success in retaining employees and in ensuring high morale, motivation and productivity.

We are particularly proud of the fact that we have two female Board members, which puts us ahead of many of our listed peers. We will continue to focus on removing any invisible or structural considerations that may impact diversity within our organisation.

Older workers represent another facet of a diverse workforce. To date, 12.4% of our workforce is currently above 50 years of age. We recognise the experience and talents that older workers bring, and we encourage employees to work beyond the retirement age of 62, health and job requirements permitting.

In FY 2019, there were no alleged or actual cases of discrimination raised.

Labour Practices & Conducive Workplaces (Cont'd)

Workplace Safety

One of the key priorities for Qian Hu is the health and safety of our employees. As such, we adhere strictly to all stipulated regulations and guidelines in the countries in which operate. Minimising the incidence of work-related injury and illness and promoting a safe and healthy work environment leads to positive workplace morale, overall well-being of our employees and ultimately to higher quality products and services.

Our Health and Safety Committee has a joint management-worker representation ensuring a collaborative approach to health and safety issues. The committee members are elected by way of management nomination and employee selection, based on criteria such as daily work scope and ability to handle health and safety issues. The committee regularly monitors and reviews our safety practices and procedures.

Risk identification, monitoring and management is also within the purview of the committee's responsibility. The committee identifies and ranks safety hazards and addresses them according to their order of importance. A review meeting is held annually to ensure that all outstanding issues are resolved and that the Group remains in compliance with all prevailing standards and certifications.

In addition to workplace health and safety training, our employees are sent for training in related safety and first aid on a yearly basis. External consultants are also invited to conduct training in introductory first aid and in the use of the automated external defibrillator ("AED") machine at our farm which enables our employees to be operationally ready to provide medical aid in the event of medical emergencies.

Our employees are also trained on fire safety hazard processes at our local and overseas operations. Regular fire drills and evacuation exercises are conducted in accordance with ISO 14001:2015 standards. We track and report industrial accidents and injuries in accordance with the Ministry of Manpower guidelines and file work-related claims accordingly, with all our employees strictly adhering to reporting procedures concerning all work-related injuries.

Our overall accident frequency rate and severity rates have been below the industrial standard, and we continue to endeavour to lower these rates. For FY 2019, we had no reported cases of accidents.

Fire safety hazard processes and CPR training at our Singapore and China farms.

Training & Education

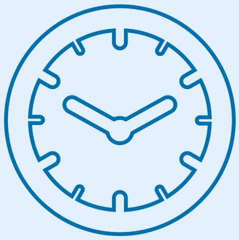
Employee training and education remains a core component of our human resource initiative. We provide training and educational programmes to ensure our employees have the necessary skills and knowledge to realise their fullest professional potential. Having a skilled workforce equipped with the relevant technological, operational and business skills to operate in today's fast-paced and dynamic business environment will also ensure that the Group meets its business objectives and remains on track for long-term sustainable growth.

Aside from on-the-job training and relevant skills upgrading, we also provide opportunities for our employees to gain knowledge and skills beyond their job functions or requirements such as external courses on supervisory and problem-solving skills and language enhancement. All training processes are closely monitored and tracked by line managers and the human resource department to ensure that our employees' learning and development needs are adequately met. As compared to the national averages in most categories, Qian Hu has met or exceeded measurements in terms of participation rates and training intensity as defined by the Ministry of Manpower.

Training budget is pegged at approximately

3%

of our total payroll



Each employee spent approximately

16 hours

on average in training in FY 2019

SUCCESSION PLANNING

Qian Hu takes a long-term view on growth. We recognise that business continuity is crucial in ensuring a sustainable future. To this end, modelling the succession planning policies in some of the large organisations, we have put in place a structured succession programme as early as 2004 to prepare a team of executives to ably lead the Group into the future.

We are not looking for a single talent, but a cohesive team that will take Qian Hu to the next lap of growth. Our future leaders have been selected from management trainees who have been undergoing a rigorous leadership grooming process which involves job portfolio rotation and performance evaluation under exacting business environments. Such a robust preparatory programme will ensure their readiness to assume the mantle of leadership and their willingness to place the Group's interest above all else.

The future CEO will be selected by a Nominating Committee, supported with peer appraisals. It is a Group policy that the selection will be based purely on individual merit and capabilities with no preference given to family connections or any other non-meritocratic criteria.

Labour Practices & Conducive Workplaces (Cont'd)

Employee Engagement

Engaging with employees is a priority at Qian Hu as we consider human resource to be our greatest asset. As such, we believe in maintaining open and ongoing channels of communication with our employees since these platforms enable them to voice their concerns, especially with respect to human-resource related grievances or issues. They are also an effective means of communicating the Group's business activities and corporate developments and ensuring that all our employees are of one mind and purpose in the pursuit of the Group's long-term growth and sustainability.

FEEDBACK PLATFORMS

We maintain various communication channels in order to build stronger working relationships within the organisation. An annual Employee Opinion Survey offers an avenue for gathering feedback and opinion on the leadership performance of senior management, whilst monitoring areas which need improvement.

Every quarter, senior management-staff dialogue sessions are held across our subsidiaries to promote better communication across all levels of the organisation. Employees are free to ask questions, voice their concerns and grievances and provide suggestions during these sessions. Such exchanges assist in building a culture of understanding and openness. Senior managers from the various divisions and subsidiaries also hold regular briefings with employees to ensure important strategies or messages are conveyed directly to them.

We also publish an in-house newsletter, "FISH MATRIX" on a bi-annual basis which is disseminated to all employees. The newsletter is another means of broadcasting corporate developments and other important news on a Group-wide basis.

Since 2014, we have also been utilising a short messaging system ("SMS") to broadcast, in a quick and efficient manner, employee corporate activities, reminders on important initiatives or deadlines and other employee-related content. These SMS broadcasts have been positively received by employees as they are kept abreast of developments in a seamless manner with messages pushed out to them.

All of Qian Hu's employees communicate via a closed group on Facebook's 'Workplace' platform, which is designed for enterprise connectivity. This is meant to foster the sharing of inter-company information and event updates as part of our employee engagement initiatives.

WHISTLE BLOWING POLICY

Qian Hu has in place a whistle blowing policy to allow our employees the mechanism to raise concerns on possible improprieties in financial reporting, fraudulent acts and other such irregularities without fear of reprisals. The mechanism is endorsed by our Audit Committee and reports or concerns of improprieties are made directly to the Chairman of the Remuneration Committee.

The Audit Committee reviews all whistle blowing complaints at its quarterly meetings, ensuring that any investigation and appropriate follow-up actions are taken. In instances of serious offences and or criminal activities, the Audit Committee and the Board have access to the appropriate external advisors and where necessary, a formal report with the relevant government or regulatory authority will be filed.

In FY 2019, there were no known incidents of non-compliance with our Code of Business Ethics and Conduct or whistle blowing cases in Qian Hu.

EMPLOYEE WELFARE

For the well-being of our employees, we organise various health and wellness programmes in Singapore throughout the year. Aside from employee health checks, recreational and sports activities and monthly employee birthday celebrations, were organised to foster bonding outside of work.

Likewise, our various overseas subsidiaries conduct their own employee welfare programmes. For example, employees in our Guangzhou subsidiary had a recreation space created for them where they can rest, play games such as table tennis and billiards and watch television. Sports carnival, basketball competitions, Christmas events and employee retreats are some of the other activities organised for employees there.

EMPLOYEE SATISFACTION INDEX

4.58	2019
4.57	2018
4.67	2017
4.57	2016
4.44	2015
4.44	2014

1 2 3 8 *Annual dinner events in China, Singapore and Malaysia.*

4 *Singapore finance team at a Transfer Pricing course.*

5 *Monthly birthday celebrations in Singapore.*

6 *Singapore employees enjoying their Zumba session.*

7 *Escape Room team bonding session for Singapore employees.*

9 10 *Staff party and health screening in Thailand.*

11 *A friendly basketball tournament amongst our China colleagues.*

Labour Practices & Conducive Workplaces (Cont'd)

PEOPLE PERFORMANCE INDICATORS

	SINGAPORE			MALAYSIA			CHINA			THAILAND			INDONESIA			TOTAL		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
EMPLOYEE PROFILE																		
Total employees (number)	**190**	**184**	**185**	**107**	**104**	**113**	**160**	**78**	**110**	**108**	**111**	**116**	**30**	**30**	**27**	**595**	**507**	**551**
Employees by gender (number)																		
Male	130	123	125	73	69	75	70	40	57	78	81	86	25	25	24	376	338	367
Female	60	61	60	34	35	38	90	38	53	30	30	30	5	5	3	219	169	184
Employees by age group (number)																		
Under 30 years old	34	34	33	48	41	48	37	29	48	45	48	53	10	10	11	174	162	193
30 to 50 years old	102	96	101	50	53	54	116	46	56	61	61	62	18	18	15	347	274	288
Over 50 years old	54	54	51	9	10	11	7	3	6	2	2	1	2	2	1	74	71	70
Employees by educational qualification (number)																		
Degree and above	26	24	27	5	7	9	18	10	14	65	69	69	7	7	7	121	117	126
Diploma and equivalent	27	31	31	29	29	29	40	28	39	9	6	9	3	3	2	108	97	110
Secondary and below	137	129	127	72	67	74	96	33	53	34	36	38	20	20	18	359	285	310
Skill certificates	0	0	0	1	1	1	6	7	4	0	0	0	0	0	0	7	8	5
Employees by employee category (number)																		
Key management	19	18	18	5	5	7	2	1	2	9	11	8	1	3	1	36	38	36
Middle management & Executives	47	42	41	30	25	26	26	16	51	18	16	14	3	0	3	124	99	135
Admin & Operational staff	124	124	126	72	74	80	134	61	57	81	84	94	26	27	23	437	370	380
Employees by employment contract (number)																		
Permanent	190	184	185	107	104	113	160	78	107	108	111	116	30	30	27	595	507	548
- Full time	*187*	*181*	*183*	*94*	*97*	*104*	*160*	*76*	*106*	*108*	*111*	*116*	*29*	*29*	*27*	*578*	*494*	*536*
- Part time	*3*	*3*	*2*	*13*	*7*	*9*	*0*	*2*	*1*	*0*	*0*	*0*	*1*	*1*	*0*	*17*	*13*	*12*
Temporary	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	3
Employees by length of service (number)																		
Less than 5 years	71	69	74	58	48	79	97	66	85	43	62	67	10	10	13	279	255	318
5 to 10 years	38	37	38	33	26	18	33	6	16	38	22	21	20	20	14	162	111	107
Over 10 years	81	78	73	16	30	16	30	6	9	27	27	28	0	0	0	154	141	126
NEW HIRES																		
Total new hires (number)	**20**	**21**	**21**	**24**	**25**	**32**	**17**	**55**	**71**	**5**	**20**	**17**	**1**	**4**	**3**	**67**	**125**	**144**
New hires by gender (number)																		
Male	17	15	16	16	20	23	8	34	34	3	17	14	1	2	2	45	88	89
Female	3	6	5	8	5	9	9	21	37	2	3	3	0	2	1	22	37	55
New hires by age group (number)																		
Under 30 years old	9	10	13	15	14	23	10	28	41	4	16	17	1	0	3	39	68	97
30 to 50 years old	11	8	7	9	11	9	7	27	28	0	3	0	0	3	0	27	52	44
Over 50 years old	0	3	1	0	0	0	0	0	2	0	1	0	0	1	0	0	5	3
TURNOVER																		
Total turnover (number)	**14**	**22**	**22**	**21**	**34**	**35**	**18**	**70**	**71**	**8**	**25**	**28**	**1**	**1**	**3**	**62**	**152**	**159**
Average monthly turnover rate (%)	0.6	1.0	1.0	1.6	2.7	2.6	0.9	7.5	5.4	0.6	1.9	2.0	0.3	0.3	0.9	0.9	2.5	2.4
Turnover by gender (number)																		
Male	10	17	18	12	26	6	7	42	40	6	22	18	1	1	1	36	108	83
Female	4	5	4	9	8	29	11	28	31	2	3	10	0	0	2	26	44	76
Turnover by age group (number)																		
Under 30 years old	4	9	13	8	21	22	8	41	41	4	21	19	1	1	3	25	93	98
30 to 50 years old	7	13	6	12	12	13	9	27	28	3	4	9	0	0	0	31	56	56
Over 50 years old	3	0	3	1	1	0	1	2	2	0	0	0	0	0	0	5	3	5

Community Involvement

Extending our care and concern to the community has been part of our culture and we take pride in our community work.

Embracing our role as a corporate citizen, we endeavour to contribute meaningfully to the communities and environment in which we operate, based on our Community Involvement Policy of "Charity, Community and Commitment". Our outreach initiatives, in addition to enriching the community and supporting social causes, businesses and entrepreneurship, are also a means of fortifying the fabric of our workforce, as we band together for the greater good of the community and the environment.

GIVING BACK TO THE COMMUNITY

Our employees are encouraged to be involved in community activities. Since 2001, Qian Hu has a dollar-for-dollar donation program – it matches every dollar that employees donate and these are then donated to specific charities. Our Singapore employees visited the Ling Kwang Home for Senior Citizens in May 2019 and the Pacific Healthcare Nursing Home in December 2019.

Our overseas subsidiaries also did their part in terms of corporate giving. The Malaysian subsidiary sponsored pet products to the Selangor Furry Future Association as well as the Mee Fah Shelter at Seminyih Selangor.

26 of our employees in China also contributed their volunteering efforts at Tan Bu Zhen Old Age Home in Guangzhou.

CONTRIBUTING TO THE BUSINESS COMMUNITY

As a leader in the ornamental fish distribution business and related industries, we have much to contribute to the wider fish industry ecosystem. Through our experiences and learnings, we can help improve business and operational practices and raise performance standards in our industry. Our Executive Chairman and Managing Director, Mr Kenny Yap, is an active participant in business forums and panellist discussions, sharing best practices in our Business Excellence Journey. He also regularly gives speeches and offers his views on pertinent business topics. In FY 2019, he spoke to delegates from the Royal Thai Embassy in Singapore, students from the Singapore Management University ("SMU") as well as hosted the team from the Institute of Singapore Chartered Accountants ("ISCA").

Our senior management team members are also actively engaged in various committees, and in sharing our business excellence pratices with others. They played an active role in connecting with the broader industry ecosystem to share knowledge, network contacts, resources and best practices. In FY 2019, they conducted eight sharing sessions with about 240 participants in attendance. In addition, Qian Hu offers internships to various polytechnics in Singapore throughout the year.

Through these platforms, we believe that we can add value to the business community by sharing our entrepreneurial and industry experiences.

Our employees in Singapore and China give back at old age homes.

Investor Relations

Qian Hu has been included in the "SGX Fast Track" programme with effect from November 2019, where it can expect to receive prioritised clearance from SGX for all corporate actions submissions. This programme aims to affirm listed issuers that have been recognised for high standards of corporate governance and have maintained a good compliance track record.

As a listed entity, one of Qian Hu's key responsibilities is to communicate our financial performance, business strategies and other relevant corporate information in a timely, transparent and accurate manner to our financial stakeholders and the wider investment community.

We are in strict compliance with the SGX-ST's Code of Corporate Governance and other prevailing laws and regulations on disclosures. Our compliance culture is founded on principles of integrity, transparency, responsiveness and a respect of the spirit as well as letter of the law – demonstrated by the numerous Corporate Awards we have garnered. Our annual score in the Singapore Governance and Transparency Index ("SGTI"), the leading index for assessing corporate governance practices of Singapore-listed companies, consistently places us in the top tier of the rankings.

With the SGX's recent ruling which removes quarterly reporting for listed companies, we will be reporting our financial results on a half-yearly basis going forward. In line with our past standards of expedient reporting, we target to release our half-year results (unaudited) and full-year results (audited) within 20 days and 15 days respectively after the end of the financial period. Our results announcements are accompanied by press releases in both English and Chinese, summarising the highlights of the results and the explanation behind the Group's performance. For the full-year results, we will host a joint media and analyst briefing and equip the investors public with a "mini annual report" which is a compilation of the financial and related materials for the financial year such as the message from our Chairman, press releases, presentation slides and financial statements. All our results and material announcements are posted on the SGXNET, which is accessible to the public on both Qian Hu and SGX websites.

Another key component of shareholder communication is our Annual General Meeting ("AGM"). Detailed minutes of the AGM are posted on the Group's website and on SGXNET within three business days of the meeting. Several channels, such as email or fax, are also available for shareholders who are unable to attend the AGM to provide their input and feedback.

Ongoing communication with the investment community is a cornerstone of our investor relations programme. Our Group's senior management conducts briefings for analysts, fund managers and media after the release of our financial results. These facilitate impartial, insightful and accurate reports on the investment merits of Qian Hu for the investing community and the general public.

Aside, our Chairman meets analysts and fund managers looking for a better grasp of the Group and its performance and engages with them regularly to ensure that we are in tune with the investment community's and public needs. Media interviews are also carried out on pertinent topics and to share the Group's strategies, new corporate developments or industry trends with the wider community.

Our investor relations site – http://qianhu.listedcompany.com – is kept up to date with SGX announcements, financial results, annual report and financial presentations as well as our corporate governance report, investors' Q&A and minutes of the AGM. With an open and easily accessible channel for investor queries through dedicated investor relations email addresses, our investor relations team ensures timely responses to queries, suggestions and clarifications, which goes a long way towards building trust and confidence in Qian Hu.

FINANCIAL CALENDAR

FY 2019	FY 2020	
11 Jan	13 Jan	• Full Year Results Announcement • Media & Analyst Briefing
28 Feb	26 Feb	• Despatch of Annual Report
28 Mar	26 Mar	• Annual General Meeting
17 Apr	-	• 1Q Results Announcement
25 Apr	23 Apr	• Payment of dividend (Subject to Shareholders' approval at AGM)
17 Jul	17 Jul	• Half Year Results Announcement
16 Oct	-	• 3Q Results Announcement

Corporate Governance Report

Corporate Governance Report

The Board of Directors (the "Board") of Qian Hu Corporation Limited (the "Company") and its subsidiaries (the "Group") are firmly committed to ensuring a high standard of corporate governance which is essential to the long-term sustainability of the Group's business and performance.

This report describes the Group's corporate governance structures and practices that were in place throughout the financial year ended 31 December 2019, with specific reference made to the principles and provisions of the revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance issued in August 2018, which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Board is pleased to confirm that for the financial year ended 31 December 2019 ("FY 2019"), the Group has adhered to the principles and provisions as set out in the 2018 Code. In so far as any principles and/or provisions has not been complied with, the reason has been provided.

I. BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

PROVISION 1.1

Principal Duties of the Board

The primary function of the Board is to provide entrepreneurial leadership so as to protect and enhance long-term value and returns for its shareholders. During FY 2019, as was in the past years, besides carried out its statutory responsibilities, the Board performed the following role:

- guide the formulation of the Group's overall long-term strategic plans and performance objectives as well as operational initiatives;
- establish and oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- review and approve annual budgets, major funding proposals, investment and divestment proposals;
- oversee the business affairs of the Company and monitor the performance of the management;
- set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and duly met;
- approve matters as specified under SGX-ST's interested person transaction policy;
- consider sustainability issues such as environmental and social factors as part of its strategic formulation (more details are set out in the "Sustainability & Governance" section on pages 40 to 91 of this Annual Report); and
- assume responsibility for corporate governance.

Independent Judgement

The Board and the Management fully appreciate that an effective and robust board whose members engage in open and constructive debate and challenge the Management on its assumptions and proposals is fundamental to good corporate governance. The directors on the Board have the appropriate core competencies and diversity of experience to enable them to contribute effectively. They are able to objectively raise issues and seek clarification as and when necessary from the Board and the Management on matters pertaining to their area of responsibilities and actively help the Management in the development of strategic proposals and oversees the effective implementation by Management to achieve the objectives set. All directors are expected to exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

Conflict of Interest

Each director is required to promptly disclose any conflict or potentially conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Qian Hu Group as soon as is practicable after the relevant facts have come to his/her knowledge. On an annual basis, each director is also required to submit details of his/her associates for the purpose of monitoring interested persons transactions. Where a director has a conflict or potentially conflict of interest in relation to any matter, he/she should immediately declare his/her interest when the conflict-related matter is discussed, unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he/she is abstain from voting in relation to the conflict-related matters.

The Board has no dissenting view on the "Letter from the Chairman" to the shareholders for the financial year under review as set out on pages 6 to 8 of this Annual Report.

PROVISION 1.2

Directors' Orientation and Training

A formal letter of appointment is furnished to every newly-appointed director upon their appointment explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

When the directors were appointed, the Company conducted a comprehensive orientation programme, which was presented by the CEO, to provide them with extensive background information about the Group's structure and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors have the opportunity to visit the Group's operational facilities and to meet with the Management to gain a better understanding of the Group's business operations. The orientation programme gives the directors an understanding of the

Group's businesses to enable them to assimilate into their new role. It also allows the new directors to get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management. Directors with no prior experience as a director were encouraged to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors.

The Board as a whole is kept up-to-date on pertinent business developments in the business, including the key changes in the relevant regulatory requirements and financial reporting standards, risk management, corporate governance and industry specific knowledge so as to enable them to properly discharge their duties as Board or Board Committee members.

New releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("ACRA") and news articles/reports (including analyst reports) which are relevant to the Group's business are regularly circulated to all the directors.

The Company Secretary informs the directors of upcoming conferences and seminars relevant to their roles as directors of the Company. The Company has an on-going budget for all directors to attend appropriate courses, conferences and seminars conducted by external professionals for them to stay abreast of relevant business developments and outlook.

Seminars and trainings attended by directors in FY 2019

The details of update sessions, seminars, conferences and training programmes attended by the directors collectively in FY 2019 include:

- the external auditors, KPMG LLP, briefed the AC and the Board on the developments in financial reporting and governance standards
- the CEO updated the Board at each meeting on business and strategic developments pertaining to the Group's business
- Transfer Pricing University (Singapore) 2019 edition, conducted by EY
- Introduction to Blockchain Technology for Accounting and Finance Professionals, conducted by the Institute of Singapore Chartered Accountants ("ISCA")
- SID Directors Conference 2019: Transformation : From Ordinary to Extraordinary, organised by Singapore Institute of Directors ("SID")
- PAIB Conference 2019: Opportunities Amidst Transformations, organised by ISCA
- Sustainability Reporting: Progress and Challenges, co-organised by Singapore Exchange Regulation ("SGX RegCo") and the Centre for Governance, Institutions and Organisations ("CGIO") at the National University of Singapore ("NUS") Business School

PROVISION 1.3

Board Approval

The Group has adopted internal guidelines governing matters that require the Board's approval which has been clearly communicated to the Management. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those prescribed limits to Board Committees and specific members of the key management via a structured Delegation of Authority matrix, which is reviewed on a regular basis and accordingly revised when necessary.

The matters require Board's approval include:

- annual budgets and business plan of the Group;
- material acquisition and disposal of assets/investments;
- corporate/financial restructurings or corporate exercise;
- incorporation of new entities;
- issuance of shares, dividend payout and other returns to shareholders;
- risk appetite and risk tolerance for the different categories of risk;
- matters as specified under the Singapore Exchange Securities Trading Limited's ('SGX-ST') interested person transaction policy ; and
- announcement of the Group's quarterly, half year and full year results and the release of the Annual Reports; and
- any other matters as prescribed under the relevant legislations and regulations, as well as the provisions of the Company's Constitution.

PROVISION 1.4

Delegation by the Board

To assist the Board in discharging its oversight functions and to enhance the Company's corporate governance framework, various Board Committees, namely the Executive Management Committee ("EXCO"), Audit Committee ("AC"), Remuneration Committee ("RC"), Nominating Committee ("NC") and Risk Management Committee ("RMC") have been constituted with clearly defined written terms of reference. These terms of reference are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance, taking into consideration the changes in the governance and legal environment. Any change to the terms of reference for any Board Committee requires the specific written approval of the Board.

The responsibilities and authority of the Board Committees set out in their respective terms of reference were revised in FY 2019 for alignment with the 2018 Code.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of the Board Committee meetings are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

Please refer to the various Principles in this Corporate Governance Report for further information on the activities of the respective Board Committees.

Corporate Governance Report (Cont'd)

COMPOSITION OF BOARD AND BOARD COMMITTEES

Name of director	Executive Management Committee	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Kenny Yap Kim Lee (Executive / Non-independent)	Chairman	-	-	-	Member
Alvin Yap Ah Seng (Executive / Non-independent)	Member	-	-	-	-
Lai Chin Yee (Executive / Non- independent)	Member	-	-	-	Member
Tan Tow Ee (Non-executive / Independent)	-	Chairman	Member	-	Member
Chang Weng Leong (Non-executive / Independent)	-	Member	Member	Chairman	-
Sharon Yeoh Kar Choo (Non-executive / Independent)	-	Member	Chairman	Member	-
Ling Kai Huat (Non-executive / Independent)	-	Member	-	Member	Chairman

PROVISION 1.5

Board Meetings and Attendance

The attendance of the directors at the scheduled Board and Board Committees meetings during the financial year ended 31 December 2019 is set out below:-

Name of director	Board	Executive Management Committee	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Number of meetings held	**4**	**12**	**4**	**1**	**2**	**2**
Number of meetings attended :						
Kenny Yap Kim Lee	4	12	4*	1*	-	2
Alvin Yap Ah Seng	4	12	4*	1*	-	-
Lai Chin Yee	4	12	4*	1*	-	2
Tan Tow Ee	4	-	4	1	-	2
Chang Weng Leong	4	-	3	1	2	-
Sharon Yeoh Kar Choo	4	-	4	1	2	-
Ling Kai Huat	4	-	4	1*	2	2

** Attendance by invitation of the Committee*

The dates of meetings of all the Board and Board Committee meetings, as well as the Annual General Meeting ("AGM"), are scheduled well in advance each year, in consultation of the Board. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Constitution of the Company provides for directors to conduct meetings by teleconferencing, videoconferencing or other similar means of communication. The Board and Board Committees also make decisions through circulating resolutions.

The Board held four scheduled meetings in the financial year ended 31 December 2019 at regular intervals. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Key matters discussed at these meetings included financial performance, annual budget, corporate strategy, significant operational matters, business opportunities and governance issues.

If a director is unable to attend a Board or Board Committee meeting, he/she will still receive all the papers and materials for discussion at that meeting. He/she will review them and advise the Chairman of the Board or the Board Committee of his/her views and comments on the matters to be discussed so that they can be conveyed to other members at the meeting.

Multiple Board Representations

All directors are required to declare their board representations. When a director has multiple board representation, the NC will consider whether the director is able to adequately carry out his/her duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments.

The NC has reviewed and is satisfied that Ms Lai Chin Yee, with multiple board representations and other principal commitments, has been able to devote sufficient time and attention to the affairs of the Company to adequately and satisfactorily discharge her duties as director of the Company, notwithstanding her multiple appointments and commitments in FY 2019.

The Company's current policy stipulates that a director should not have in aggregate of more than four listed company board representations and other principal commitments concurrently so as to be able to devote sufficient time and attention to the affairs of the Company to adequately discharge his/her duties as director of the Company. For the financial year under review, no director has exceeded such stipulation.

PROVISION 1.6

Access to Information

All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with complete, accurate and adequate information in a timely manner to enable them to be fully cognisant of the decisions and actions of the Management.

The Board receives quarterly management financial statements, periodic cash flow projections, annual budgets and explanation on material forecasts variances to enable them to understand and oversee the Group's operational and financial performance. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

As a general rule, Board papers prepared for each meeting are normally circulated four to five days in advance of each meeting. This is to give directors sufficient time to review and consider the matters to be discussed so that discussions can be more meaningful and productive. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. The Board papers provide sufficient background and explanatory information from the Management on financial impact, mitigation strategies, risk analysis, expected outcome, regulatory implications and corporate issues to enable the directors to be properly briefed on issues to be considered at Board and Board Committees meetings. Such explanatory information may also be in the form of briefings to provide additional insights to the directors or formal presentations made by the Management in attendance at the meetings, or by external consultants engaged on specific projects.

PROVISION 1.7

Access to Management and Company Secretary

The directors have separate and independent access to the Management and the Company Secretary at all times through email, telephone and face-to-face meetings. Any additional materials or information requested by the directors to make informed decisions is promptly furnished.

Under the direction of the Chairman, the Company Secretary ensures timely and good information flows within the Board and its Board Committees and between the Management and independent directors.

The Company Secretary assists the Chairman and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committees meetings. She administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Listing Rules of the SGX-ST, are complied with.

As the primary compliance officer for the Group's compliance with the Listing Rules, the Company Secretary is responsible for designing and implementing a framework for the Management to comply with the

Corporate Governance Report (Cont'd)

Listing Rules, including advising the Management to ensure that material information is disclosed on a prompt basis. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term stakeholders' value.

The appointment and the removal of the Company Secretary are subject to the approval of the Board.

Independent Professional Advice

Where the directors, whether individually or collectively, require independent professional advice in furtherance of their duties and responsibilities, the Company Secretary will assist in appointing a professional advisor to render the relevant advice and keep the Board informed of such advice. The cost of obtaining such professional advice will be borne by the Company.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

PROVISION 2.1

Board Independence

Currently, the Board consists of seven directors, of whom four are considered independent by the Board. With more than half of the Board made up of independent directors, including independence from the substantial shareholders of the Company, the Board is capable of exercising independent and objective judgment on corporate affairs of the Group. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its stakeholders. No individual or small group of individuals dominates the Board's decision making.

The independence of each director is assessed and reviewed annually by the NC. In its deliberation as to the independence of a director, the NC took into account examples of relationships as set out in the 2018 Code, considered whether a director has business relationships with the Group, its substantial shareholders or its officers and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the interest of the Group.

Each independent director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the 2018 Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the 2018 Code.

During the financial year, the Company received professional services rendered from Alchemy Business Consultants which Mr Chang Weng Leong has an interest. The NC is of the view that the value of the said services was not material and the business relationship with Alchemy Business Consultants has not interfered with the exercise of independent business judgement in the best interest of the Company by Mr Chang in the discharge of his duties as directors. As such, Mr Chang is considered to be independent. Accordingly, the NC has determined that all the four non-executive directors are independent.

SGX Mainboard Rule 210(5)

The Board recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board.

As at the end of FY 2019, Mr Chang Weng Leong and Mr Tan Tow Ee have served on the Board beyond nine years from the date of their first appointment. The Board has subjected their independence to a particularly rigorous review by all the other fellow directors (with both Messrs Chang and Tan abstaining from the review), before deciding if they should continue with the appointment.

After due consideration and with the concurrence of the NC, the Board is of the view that Mr Chang Weng Leong and Mr Tan Tow Ee have demonstrated strong independence character and judgement over the years in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification and amplification as they deemed necessary, including through direct access to the Management.

Taking into account the above, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has affirmed their independence status and resolved that Mr Chang and Mr Tan continue to be considered independent directors, notwithstanding they have served on the Board beyond nine years from the date of their first appointment.

Nonetheless, in view of the amendments to the SGX Listing Rules, which will come into effect from 1 January 2022, requires the re-appointment of directors who have served the Board beyond nine years from the date of their first appointment to be subjected to a two-tier shareholders voting, the Company has its directorship renewal process underway. Mr Chang Weng Leong, who is due for retirement at the forthcoming AGM, will not seek for re-election. A new non-executive independent director will be appointed after the AGM.

PROVISION 2.2

PROVISION 2.3

Proportion of non-executive independent directors

The Company has complied with the relevant provisions as a majority of the Board members are non-executive independent directors.

PROVISION 2.4

Board Composition

The profile of the directors and key information are set out on pages 10 to 13 of this Annual Report.

The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, considers that a board size of between five to eight members as appropriate.

The Board believes that its current board size and the existing composition of the Board Committees effectively serve the Group.

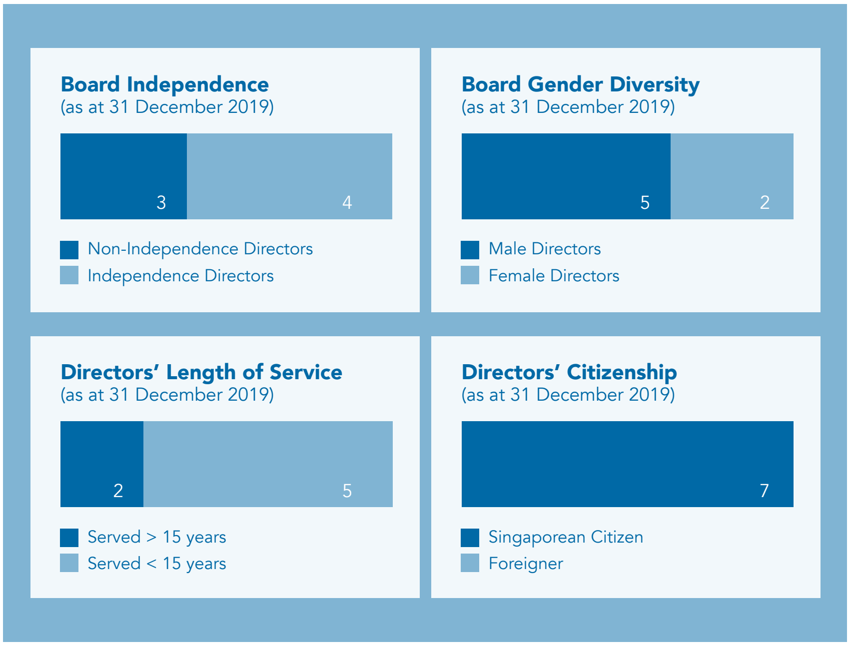
Board Diversity

Qian Hu's Board Diversity Policy endorses the principle that its Board should have a balance of skills, knowledge, experience and diversity of perspectives appropriate to its business so as to mitigate against groupthink and to ensure that the Group has the opportunity to benefit from all available talents. In reviewing Board composition and succession planning, the NC will consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

Every year, the NC conducts its review of the composition of the Board, which comprises members of both genders and from different backgrounds whose core competencies, qualifications, skills and experiences, met with the requirement of the Group. To assist the NC in its annual review of the directors' mix of skills and experiences that the Board requires to function competently and efficiently, all directors submitted a Director Competency Matrix Form, providing information of their areas of specialisation and expertise. The NC, having reviewed the completed forms, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

In recognition of the importance and value of gender diversity in the composition of the Board, the Board has two female directors, representing 28.5% of total Board membership. Ms Lai Chin Yee and Ms Sharon Yeoh Kar Choo have been members of the Board since November 2004 and September 2011 respectively. In addition, it consists of directors with ages ranging from fifties to more than 70 years old, who have served on the Board for different tenures. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction.

Details of the Board composition are as follows :



Corporate Governance Report (Cont'd)

PROVISION 2.5

Meeting of Independent Directors without Management

The independent directors, led by the lead independent director, has a meeting amongst themselves without the presence of the Management and the Chairman of the Board to discuss and evaluate the performance of the Management as well as the remuneration of the executive directors. The feedback and views expressed by the independent directors was communicated by the lead independent director to the Executive Chairman after the meeting, as appropriate.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

PROVISION 3.1

Separation of the Role of Chairman and the Chief Executive Officer ("CEO")

The Board is of the view that, at this point in time, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC, NC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

The Board will take into consideration the separation of the role of the Chairman and the CEO as stipulated as part of the on-going succession planning and Board renewal process, which should materialise in the near future.

PROVISION 3.2

Role of Executive Chairman and CEO

The Group's Executive Chairman and CEO, Mr Kenny Yap Kim Lee, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. In addition to setting and implementing the business direction and strategies for the Group as endorsed by the Board, as well as the management oversight of the Group's performance, he is to ensure that each member of the Board and the Management works well together with integrity and competency.

As the Executive Chairman and CEO, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepares the agenda for Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item, in particular strategic issues. He promotes an open environment for debate, and ensures that independent directors are able to speak freely and contribute effectively. In addition, he sets guidelines and exercise control over the quality, quantity, accurateness and timeliness of information flow between the Board and the Management. He plays a pivotal role in fostering constructive dialogue among stakeholders, the Board and the Management at various meetings. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices with the full support of the Board, the Company Secretary and the Management.

PROVISION 3.3

Appointment of Lead Independent Director

Taking cognisance that the Chairman of the Board is also the CEO, the Board has appointed Mr Tan Tow Ee as the lead independent non-executive director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman/ CEO or the Management has failed to resolve or for which such contact is inappropriate or inadequate.

There were no query or request on any matters which requires the lead independent director's attention received in FY 2019.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

PROVISION 4.2

NC Composition and Role

The Board established the NC in July 2002 which comprises three non-executive directors, all of whom including the Chairman of the NC are independent. The lead independent director is one of the members of the NC.

Please refer to Provision 1.4 above on the names of the members and the composition of the NC.

The key written terms of reference of the NC are set out on page 80 of this Annual Report.

PROVISION 4.1

PROVISION 4.3

Board Renewal & Succession Planning

The responsibilities of the NC are, among other things, to make recommendations to the Board on all

Board appointments, re-appointments and oversee the Board and succession and leadership development plans of the key management personnel (KMP). Succession planning is a crucial element of the Group's corporate governance process. The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The NC reviews the succession, training and professional development programmes for the Board and the KMP. As part of the annual review, the successors to key positions are identified, and development plans are instituted for them.

(more details are set out in the "Qian Hu's succession planning" section on page 55 of this Annual Report)

Process for Selection and Appointment of New Directors

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy. The NC seeks potential candidates widely and beyond directors/management recommendations and is empowered to engage external parties, such as professional search firms and institutions, to undertake research on or assessment of candidates as it deems necessary.

The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as director.

Process for Re-appointment of Directors

The role of the NC also includes the responsibility of reviewing the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC.

All directors, including the CEO, submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Pursuant to Regulation 91 of the Company's Constitution, one-third of the Board are to retire from office by rotation and be subject to re-appointment at the Company's AGM. In addition, Regulation 90 of the Company's Constitution stipulates that a director newly appointed by the Board during the financial year must retire and submit himself for re-appointment at the next AGM following his appointment. Thereafter, he is subject to be re-appointed at least once every three years at the Company's AGM.

The Board recognises the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of the directors as necessary.

PROVISION 4.4

Continuous Review of Directors' Independence

The NC is charged with determining the independence of the directors as set out under Provision 2.1 above.

The Board, after taking into consideration the views of the NC, is of the view that Mr Tan Tow Ee, Mr Chang Weng Leong, Ms Sharon Yeoh Kar Choo and Dr Ling Kai Huat are independent and that, no individual or small group of individual dominates the Board's decision-making process.

During FY 2019, there was no alternate director on the Board.

PROVISION 4.5

Directors' Time Commitments

The NC ensures that new directors are aware of their duties and obligations. For re-nomination and re-appointment of directors, the NC takes into consideration the competing time commitments faced by directors and their ability to devote appropriate time and attention to Qian Hu.

Each director is required to confirm annually to the NC as to whether he or she has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention to his or her duties as a director of the Company. Based on the directors' annual confirmation and the directors' commitments and contributions to the Company, which are also evident in their level of attendance and participation at Board and Committee meetings, the NC and the Board are satisfied that all the directors were able to and have been adequately carrying out their duties as directors of the Company in FY 2019.

In addition to the current procedures for the review of the attendance records and analysis of directorships, a policy has also been put in place for directors to consult the Executive Chairman and the Chairman of the NC with regard to accepting any new listed company board appointment or principal commitment and notifying the Board of any changes in their external appointments. This would allow the director to review his/her time commitments with the proposed new appointment and in the case of an independent director, to also ensure that his/her independence would not be affected.

Corporate Governance Report (Cont'd)

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

PROVISION 5.1

PROVISION 5.2

Board Evaluation Process

The Board, through the NC, has used its best effort to ensure that directors appointed to the Board and the Board Committees, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual directors to the effectiveness of the Board.

During the financial year, all directors are requested to complete a Board Evaluation Questionnaire designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. To ensure confidentiality, the completed evaluation forms were submitted to the Company Secretary for collation. The consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness. Following the review in FY 2019, the Board is of the view that the Board and its Board Committees operate effectively and each director is contributing to the overall effectiveness of the Board.

There was no external consultant involved in the Board evaluation process in FY 2019.

Board Evaluation Criteria

The performance criteria for the board evaluation are in respect of board size and composition, board independence, board processes, board information and accountability, board performance in relation to discharging its principal functions and board committee performance in relation to discharging their responsibilities as set out in their respective terms of reference, and financial targets which include profit after tax, earnings per share, return on assets, debt-equity ratio, dividend payout ratio and total shareholder returns.

The primary objective of the board evaluation exercise is to create a platform for the Board and Board Committees members to provide constructive feedback on the board procedures and processes and the changes which should be made to enhance the effectiveness of the Board and Board Committees.

Chairman Evaluation

The evaluation of the Chairman of the Board is undertaken by the RC and the NC, and the results are reviewed by the Board.

The assessment of the Chairman of the Board is based on his ability to lead, whether he established proper procedures to ensure the effective functioning of the Board and that the time devoted to board meetings were appropriate and are conducted in a manner that facilitate open communication and meaningful participation for effective discussion and decision-making by the Board. He has also to ensure that Board Committees formed were appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

Individual Director Evaluation

Individual director's performance is evaluated annually and informally on a continual basis by the NC and the Chairman of the Board. Some factors taken into consideration by the NC and the Chairman of the Board include the value of contribution to the development of strategy, availability at board meetings (as well as informal contribution via email and telephone), interactive skills, degree of preparedness, industry and business knowledge and experience each director possess which are crucial to the Group's business.

The individual director evaluation exercise assists the NC in determining whether to re-nominate directors who are due for retirement at the forthcoming AGM, and in determining whether directors with multiple board representations are able to and have adequately discharged their duties as directors of the Company.

Nonetheless, replacement of a director, when it happens, does not necessarily reflect the director's performance or contributions to the Board, but may be driven by the need to align the Board with the medium or long term needs of the Group.

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

PROVISION 6.2

RC Composition and Role

The Board established the RC in July 2002 which comprises three non-executive directors, all of whom, including the Chairman of the RC, are independent.

Please refer to Provision 1.4 above on the names of the members and the composition of the RC.

The key written terms of reference of the RC are set out on page 81 of this Annual Report.

PROVISION 6.1

PROVISION 6.3

PROVISION 6.4

Remuneration Framework

The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy and for determining the remuneration packages of individual directors and key management personnel (KMP). The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director and KMPs.

On an annual basis, the RC reviews and approves the annual increments, variable bonus to be granted to the Executive Directors and the KMPs which are within specific mandates sought from the Board.

The RC also reviews the Company's obligations arising in the event of termination of the Executive Directors and KMPs to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC, has explicit authority within its terms of reference to seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters where necessary.

There being no specific necessity, the RC did not seek the service of an external remuneration consultant in FY 2019.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

PROVISION 7.1

PROVISION 7.3

Remuneration of Executive Directors and KMPs

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and KMPs commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other KMPs) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

Executive Directors do not receive directors' fees but are remunerated as members of Management. The remuneration packages of the Executive Directors and the KMPs comprises a fixed component (basic salary) and a variable component (cash-based annual bonus) that is linked to the performance of the Group as a whole as well as the individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

Service contracts for Executive Directors, are for a fixed appointment period and do not contain onerous removal clauses.

Having reviewed and considered the variable components of the Executive Directors and KMPs, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. In addition, the Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, and the performance of the Group's business units and individual employees. In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is transparent, competitive, relevant and appropriate in finding a balance between the current and longer term objectives of the Company so as to be able to attract, retain and motivate talents without being excessive, and thereby maximise value for shareholders.

PROVISION 7.2

Remuneration of Non-Executive Directors

When reviewing the structure and level of directors' fees for the non-executive directors, the RC takes into consideration the directors' respective roles and responsibilities in the Board and Committees and the frequency of Board and Committee meetings.

Each of the non-executive directors receives a base director's fee. Directors who serve on the various Committees also receive additional fees in respect of each Committee that they serve on, with the Chairmen of the Committees receiving a higher fee in respect of their service as Chairman of the respective Committees.

Corporate Governance Report (Cont'd)

The structure of the fees payable to the non-executive directors of the Company for FY 2019 is as follows:

Appointment	Per annum
Board of Directors **- Base fee**	$8,000 (non-executive director only)
Audit Committee **- AC Chairman** **- AC Member**	 $10,000 $6,000
Other Committees **- Chairman** **- Member**	 $7,000 $5,000

The RC is mindful that the remuneration for non-executive directors should not be excessive so as to compromise or reasonably be perceived to compromise their independence. No member of the RC is involved in deliberating and deciding in respect of any remuneration, compensation or any form of benefits to be granted to him.

The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2019 is appropriate and not excessive, taking into consideration the level of contributions by the directors and factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

The Company currently does not have any share-based compensation scheme or any long-term incentive scheme involving the offer of shares in place to encourage non-executive directors to hold shares in the Company.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

PROVISION 8.1

PROVISION 8.2

PROVISION 8.3

Remuneration Criteria

The compensation packages for employees including the executive directors and the KMPs comprised a fixed component (base salary), a variable component (cash-based annual bonus) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices.

When determining the fixed and variable components, the individual performance is taken into consideration in the light of any annual guidance from the National Wages Council, competitive market practices and information gathered from market surveys. This is further reviewed along with the Group's performance, taking into consideration specific key performance indicators (involving financial and non-financial indicators) tracked over time as compared to the targets to be achieved by the Company based on its short and long term objectives.

During the financial year, there was no termination, retirement or post-employment benefits granted to any director or KMP.

Disclosure of Remuneration

REMUNERATION TABLE

i) Remuneration of directors

The breakdown of the total remuneration of the directors of the Company for the year ended 31 December 2019 is set out below:

Name of Director	Salary	Bonus	Director's fees	Total remuneration
	$	$	$	$
Kenny Yap Kim Lee	306,240	28,665	-	334,905
Alvin Yap Ah Seng	276,240	25,740	-	301,980
Lai Chin Yee	276,240	25,740	-	301,980
Tan Tow Ee	-	-	30,000	30,000
Chang Weng Leong	-	-	26,000	26,000
Sharon Yeoh Kar Choo	-	-	26,000	26,000
Ling Kai Huat	-	-	26,000	24,000
	858,720	**80,145**	**108,000**	**1,046,865**

- *The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.*
- *The Company has no share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place.*
- *The director's fees are subject to shareholders' approval at the Annual General Meeting.*

ii) Remuneration of key management personnel

The breakdown of total remuneration of the top five key management personnel of the Group (who are not directors) for the year ended 31 December 2019 is set out below:

Name of management personnel	Salary	Bonus	Allowances & benefits	Total remuneration
	$	$	$	$
Andy Yap Ah Siong *	276,240	25,740	-	301,980
Jimmy Tan Boon Kim	230,640	21,294	-	251,934
Yap Kim Choon **	189,360	-	-	189,360
Lee Kim Hwat	168,528	19,695	-	188,223
Low Eng Hua	150,240	13,455	-	163,695
	1,015,008	**80,184**	**-**	**1,095,192**

* *Mr Andy Yap Ah Siong is the brother of Mr Alvin Yap Ah Seng, an Executive Director and cousin of Mr Kenny Yap Kim Lee, the Executive Chairman & CEO.*

** *Mr Yap Kim Choon is the brother of Mr Kenny Yap Kim Lee, the Executive Chairman & CEO and cousin of Mr Alvin Yap Ah Seng, an Executive Director.*

- *The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.*
- *The Company has no share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place.*

iii) Remuneration of immediate family members of CEO and Executive Directors

(remuneration amounts exceed $100,000 per annum)

The breakdown of total remuneration of employees who are immediate family members of the CEO and the Executive Directors whose remuneration exceed $100,000 per annum for the year ended 31 December 2019 is set out below:

Name of Executive	Salary	Bonus	Allowances & benefits	Total remuneration
	$	$	$	$
Yap Ping Heng	102,480	-	-	102,480
Yap Hock Huat	102,480	-	-	102,480
Yap Kim Chuan	105,360	-	-	105,360
	310,320	**-**	**-**	**310,320**

Mr Yap Ping Heng, Mr Yap Hock Huat and Mr Yap Kim Chuan are brothers of Kenny Yap Kim Lee, the Executive Chairman & CEO and cousins of Mr Alvin Yap Ah Seng, an Executive Director.

The Company does not have any share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place. The Board is of the view that such long-term incentive plan is not effective and that it is difficult to determine how much such long-term incentive plan contributes to the retention of employees and to motivate their performance.

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

PROVISION 9.1

Nature and Extent of Risks

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against the occurrence of material errors or poor judgment in decision-making.

Risk assessment and evaluation has become an essential part of the business planning and monitoring process. The Group has put in place a documentation on its risk profile which summarises the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the Risk Management Committee ("RMC") and the Board annually.

The documentation provides an overview of the Group's key risks, the appropriate risk tolerance limits set for the respective risks, their likelihood of occurrence and the consequential impact to the Group as a whole. Having identified the risks to the achievement of the Group's strategic objectives, each business unit is required to document the mitigating actions in place and/or proposed in respect of each significant risk. It allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the

Corporate Governance Report (Cont'd)

shareholder value creation process. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation.

Having regard to the risks which the business is exposed, the likelihood of such risks occurring and the risk tolerance accepted by the Group, the internal controls structure of the Group has been designed and put in place by the Group's business units to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations.

An overview of the key risks, the extent of the Group's exposure and the approach to managing these risks are set out in the "Risk Management" section on pages 82 to 88 of this Annual Report.

RMC Composition and Role

The Board established the RMC in FY 2013 as part of the Group's efforts to strengthen its risk management processes and framework, in overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control systems.

Please refer to Provision 1.4 above on the names of the members and the composition of the RMC.

The key written terms of reference of the RMC are set out on page 81 of this Annual Report.

PROVISION 9.2

Assurance from the CEO, CFO and KMPs

The RMC reviewed and assessed the adequacy and effectiveness of the Group's internal controls that address the Group's financial, operational, compliance and information technology risks, with the assistance of the internal and external auditors and the Management.

For the financial year under review:-

(i) written assurance was received from the CEO and the CFO that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(ii) written assurance was received from the CEO and the KMPs that the Group's risk management and internal controls systems in place were adequate and effective to address the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations.

Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2019 to address the risks that the Group considers relevant and material to its operations.

Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharge its duties objectively.

PROVISION 10.2

AC Composition and Role

The Board established the AC in July 2000 which comprises four non-executive directors, all of whom including the Chairman of the AC are independent.

Please refer to Provision 1.4 above on the names of the members and the composition of the AC.

The key written terms of reference of the AC are set out on page 80 of this Annual Report.

The Board considers Mr Tan Tow Ee, who has extensive and practical financial management knowledge and experience, is well qualified to chair the AC.

The Board is satisfy that the AC members, collectively, have relevant accounting and related financial management expertise or experience and are appropriately qualified to discharge their responsibilities.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any Executive Director or KMP to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The AC met four times in the financial year ended 31 December 2019 and all the Executive Directors are invited to attend the meetings.

PROVISION 10.1

PROVISION 10.4

Financial Reporting Matters

The AC meets on a quarterly basis to review the quarterly and the audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the AC reviews the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the Group's financial performance so as to ensure the integrity of the financial statements.

The following areas are the key risks of misstatement of the Group's financial statements and how these matters were addressed:

Matters considered	Action
Valuation of biological assets - $10.3 million (12.9% of Group's total assets)	In order to satisfy that the carrying value of the biological assets, in the form of brooder stocks, was not materially misstated, the Audit Committee obtained assurance from the management that detailed impairment testing had been undertaken using appropriate methodology and assumptions. The primary inputs into the impairment testing are estimates of the projected cash flows derived from the expected production yield of the brooder stocks and the budgeted revenue growth of the breeder stocks (offspring of the brooder stocks), with the application of an appropriate interest rate in discounting these cash flows. In considering this matter, the Committee reviewed the impairment computations and the sensitivity analysis performed on the key assumptions. In addition, the Committee discussed with the external auditors on their review of the reasonableness and relevance of the assumptions used in the impairment assessment and the sensitivity analysis performed. Following these discussions, the Committee noted that the impairment review is sensitive to the changes in the key assumptions underlying the assessment, notwithstanding the estimated recoverable amounts of the brooder stocks exceeded the carrying value. Nonetheless, the Committee concurred with the management's conclusion that no impairment loss was recognised for brooder stocks as at 31 December 2019 and that the disclosures in the financial statements were appropriate.
Valuation of amount due from subsidiaries (Company level) - $18.6 million	Included in the amount due from subsidiaries balance as at 31 December 2019 was significant long outstanding amount due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") amounted to approximately $10.3 million representing 55.5% of the amount due from subsidiaries balances, of which the recoverability of approximately $7.2 million was guaranteed by a major shareholder of the Company and a director of the Company. The Audit Committee assessed the reasonableness of the recoverability of the above amount, which premised on the financial strengths of the guarantors and the repayment plans as stipulated by GZQH. The Committee also considered the observations and findings presented by the external auditors with reference to the payment track records and on-going business relationship with GZQH. The above procedures provided the Committee with the assurance and concurred with the management's conclusion that no allowance for impairment on the above amount due from subsidiaries balance is required as at 31 December 2019 and that the disclosures in the financial statements were appropriate.
Impairment of Goodwill - $4.0 million (5.1% of Group's total assets)	The goodwill arising from the acquisition of GZQH during the financial year was tested for impairment by estimating the recoverable amount of the cash-generating-unit ("CGU"), whereby the management applied the value-in-use (discounted cash flow) method to determine the recoverable amount of the CGU. The Audit Committee discussed with the external auditors on the robustness of the methodology used and reviewed the value-in-use computations, incorporating reasonably possible changes to the key assumptions, and evaluated the outcome of the sensitivity analysis prepared by management. The Committee has also deliberated the management's view on the future prospects and business outlook of GZQH. As a result of the above procedures, the Committee concurred with the management's conclusion that no impairment charge was required as at 31 December 2019 and that the valuation of goodwill and the disclosures in the financial statements were appropriate.

Internal Controls & Regulatory Compliance

The AC reviews the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems through discussion with Management and its auditors and report to the Board annually.

The AC reviews the assurance from the CEO and the CFO on the financial records and financial statements.

External Audit

The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.

The AC undertook the review of the independence and objectivity of the external auditors, KPMG LLP ("KPMG"), through discussions with the external auditors as well as reviewing the non-audit services provided and the fees paid to them. During FY 2019, there was no non-audit related work carried out by the external auditors; hence, there was no fee paid in this respect. Based on the review, the AC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the Group's statutory audit.

The fees payable to auditors is set out on page154 of this Annual Report.

The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors is always subject to shareholders' approval at the AGM of the Company.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2020, the AC has considered the adequacy

Corporate Governance Report (Cont'd)

of the resources, experience and competence of KPMG, and has taken into account the Audit Quality Indicators relating to KPMG at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit. The AC also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines.

On the basis of the above, the AC is satisfied with the standard and quality of work performed by KPMG. It has recommended to the Board the nomination of KPMG for re-appointment as external auditors at the forthcoming AGM of the Company.

The Company has complied with Rules 712 and 715 read with 716 of the Listing Manual of the SGX-ST in relation to the appointments of its external auditors. The AC and the Board are satisfied with the standards and the effectiveness of the audits performed by the independent auditors, other than those of the Company.

Internal Audit

The primary role of internal audit is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group, reviewing the internal controls of the Group to ensure prompt and accurate recording of transactions and proper safeguarding of assets and reviewing that the Group complies with the relevant laws, regulations and policies established.

The internal audit function plans its internal audit schedule in consultation with, but independent of the Management. The AC examines the internal audit plan, determines the scope of audit examination and approves the internal audit budget. It also oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function. In addition, the internal auditors may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditors in specific areas of concerns.

The internal audit function of the Group is out-sourced to EisnerAmper PAC Singapore (formerly known as Saw Meng Tee & Partners PAC) since financial year ended 31 December 2013. The internal auditors report primarily to the Chairman of the AC and has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

The AC annually reviews the adequacy and effectiveness of the internal audit function to ensure that resources are adequate and that the internal audits are performed effectively. It approves the appointment, termination, evaluation and the remuneration of the internal auditors.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience to perform its function effectively.

Whistle blowing Policy

The Company has established a Code of Business Ethics and Conduct that sets the principles of the code of business ethics and conduct which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc. Directors, KMPs and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and the law and regulations of the countries in which it operates.

The Group has put in place a whistle blowing framework, endorsed by the AC, which provides the mechanisms where employees may, in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to Mr Chang Weng Leong, Chairman of the RC. Details of the whistle blowing policies and arrangements have been made available to all employees. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that employees will be protected from reprisal within the limits of the law or victimisation for whistle blowing in good faith. Anonymous reporting will also be attended to and anonymity honoured.

The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action.

There were no reported incident pertaining to whistle blowing during FY 2019 and until the date of this Annual Report.

PROVISION 10.3

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

PROVISION 10.5

Meeting Auditors without the Management

The AC meets with the external auditors and the internal auditors, at least once a year, without the presence of the Management, to review any matter that might be raised. These meetings enable the auditors to raise any issues in the course of their work directly to the AC.

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

PROVISION 11.1

PROVISION 11.2

Conduct of General Meetings

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the Business Times and posted onto the SGXNET.

In order to provide ample time for the shareholders to review, the notice of AGM, together with the Annual Report 2019, is distributed to all shareholders 28 days before the scheduled AGM date. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

All shareholders are entitled to vote in accordance with the established voting rules and procedures at the AGM. Each share is entitled to one vote. In support of greater transparency and to allow for a more efficient voting process, the Company has been conducting electronic poll voting since the 2016 AGM and will continue to do so in respect of all the resolutions tabled at the 2020 AGM. The detailed procedures for the electronic poll voting is explained at the AGM. An external firm is appointed as scrutineers for the AGM voting process, which is independent of the firm appointed to undertake the electronic poll voting process. Through the service provider's poll voting system, the total number of votes cast for and against and the respective percentages on each resolution are tallied and instantaneously displayed on the screen after each poll conducted during the AGM.

The resolutions tabled at the general meetings are on each substantially separate issue, including treating the election or re-election of each director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the Notice of AGM in the Annual Report.

PROVISION 11.3

Interaction with Shareholders

At general meetings of the Company, shareholders are given the opportunity to communicate their views and are encouraged to ask the directors and the Management questions regarding matters affecting the Company. The Executive Chairman and the Chairpersons of the AC, NC and RMC were present at the last AGM. Although Mr Chang Weng Leong, the Chairman of the RC could not attend the last AGM, the other members of the RC were present at the AGM. All directors will endeavour to be present at the Company's forthcoming 2020 AGM to address shareholders' questions relating to the work of these Committees.

The Company's external auditors, KPMG, are also present at the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

PROVISION 11.4

Shareholders' Participation

The Company supports active shareholder participation at general meetings. Annual reports are distributed to all shareholders 28 days before the scheduled general meeting date. All shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategies and visions. If shareholders are unable to attend the meetings, the Constitution of the Company allows for shareholders who are not relevant intermediaries to appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and shareholders who are relevant intermediaries to appoint more than two proxies to attend, speak and vote at general meetings. In order to have a valid registration of proxy, the proxy forms must be sent in advance to the place(s) as specified in the notice of the general meetings at least 72 hours before the time set for the general meetings.

Voting in absentia such as voting via mail, electronic mail or facsimile at the general meetings may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised.

PROVISION 11.5

Minutes of General Meetings

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the resolutions tabled for approval and/or ask the directors or the Management questions regarding the Company and its operations.

Since FY 2003, the Board has developed several channels, which include the Group's website, electronic mail or facsimile, for shareholders who are not able to attend the AGM to contribute their feedback and inputs. The Company prepares detailed AGM minutes, which include comments and the questions raised by shareholders, together with the responses from the Board and the Management, are publicly available on both the SGX website (www.sgx.com) and the Company's website within three working days from the date of the meeting.

Corporate Governance Report (Cont'd)

PROVISION 11.6

Dividend Policy

Qian Hu has formalised its dividend policy to provide a return to shareholders at least once a year through the payment of dividends. It aims to pay a sustainable and growing dividend over time, consistent with long-term growth prospects. The form, frequency and amount of dividends declared each year will take into consideration the Group's financial performance, cash position, cash flow generated from operations, projected capital requirements for business growth, general global economic conditions and other factors as the Board may deem appropriate.

The Board of directors has declared a final dividend of 0.3 Singapore cents per ordinary share for the financial year ended 31 December 2019 (31 December 2018: 0.2 Singapore cents per ordinary share).

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

PROVISION 12.1

PROVISION 12.2

PROVISION 12.3

Disclosure of information on timely basis

Qian Hu is firmly committed to corporate governance and transparency by disclosing to its stakeholders, including its shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as to hearing its shareholders' views and addressing their concerns. By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility.

The Company disclosed well in advance the date of release of its financial results in the Annual Report of the preceding year and confirms approximately two weeks prior to the actual date of the release through a SGXNET announcement. Unaudited results for the first three quarters are released to shareholders no later than 20 days from the end of the quarter. Audited full-year results are released within 15 days from the financial year end. Each quarterly announcement is accompanied by a press release in both the English and Chinese languages. Joint briefings for media and analysts, with a PowerPoint presentation, are held in conjunction with the release of the Company's half-year and full year results, with the presence of the CEO, CFO and all the Executive Directors to answer the relevant questions which the media and analysts may have.

Outside of the financial announcement periods, when necessary and appropriate, the CEO will meet analysts and fund managers who like to seek a better understanding of the Group's operations. The CEO also engages with local and foreign investors to solicit feedback from the investment community on a range of strategic and topical issues which should provide valuable insights to the Board on investors' views. When opportunities arise, the CEO conducts media interviews to give its shareholders and the investors' public a profound prospective of the Group's business prospects.

Investor Relations Practices

The Company has a team of investor relations (IR) personnel who focus on facilitating the communications with all stakeholders – shareholders, regulators, analysts and media, etc – on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance.

To enable shareholders to contact the Company easily, the contact details of the IR personnel are set out on page 5 of this Annual Report as well as on the Company's website. The IR personnel have procedures in place for following up and responding to stakeholders queries as soon as applicable.

Full details of the Group's investor relations (IR) initiatives are set out on page 60 of this Annual Report.

V. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

PROVISION 13.1

PROVISION 13.2

Stakeholders' Engagement

Qian Hu has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations. Six stakeholders groups have been identified through an assessment of their significance to the business operations. They are namely, suppliers, customers, employees, community, investors and regulators.

Qian Hu has undertaken a process to determine the environmental, social and governance (ESG) issues which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

More details on Qian Hu's approach to stakeholder engagement and materiality assessment are disclosed on pages 42 and 43 of this Annual Report.

Having identified the stakeholders and the material issues, the Company has mapped out the key areas of focus in relation to the management of the respective stakeholder relationships.

Please refer to the Sustainability Report on pages 40 to 91 of this Annual Report for further details.

PROVISION 13.3

Corporate Website

All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNET, press releases and the Company's website. The Company does not practice selective disclosure of material information. All materials on the quarterly, half-yearly and full year financial results are available on the Company's website – www.qianhu.com. The comprehensive website, which is updated regularly, contains various information on the Group and the Company which serves as an important resource for investors and all stakeholders.

VI. OTHER CORPORATE GOVERNANCE MATTERS

DEALING IN SECURITIES - Listing Manual Rule 1207(19)

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST on best practices in respect of dealing in securities, the Group has in place an internal compliance policy which prohibits the directors, key management personnel of the Group and their connected persons from dealing in the Company's shares during the "black-out" period – being two weeks and one month immediately preceding the announcement of the Company's quarterly and full-year results respectively, or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors, key management personnel and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also refrained from dealing in the Company's shares on short-term considerations.

All directors are required to seek Board's approval before trading in the Company's shares and are also required to notify the Company Secretary of any change in his interest in the Company's shares within two business days of the change.

During FY 2019, there was no trading of the Company's shares by insiders.

MATERIAL CONTRACTS - Listing Manual Rule 1207(8)

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, there was no material contract involving the interests of any director or controlling shareholder entered into by the Company or any of its subsidiaries since the end of the previous financial year ended 31 December 2019. There was no such contract subsisted at the end of the financial year under review.

INTERESTED PERSON TRANSACTIONS - Listing Manual Rule 907

To ensure compliance with Chapter 9 of the Listing Manual of the SGX-ST, the AC, as well as the Board, meets quarterly to review if the Company will be entering into any interested person transactions. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction is carried out fairly and at arm's length based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST. Disclosure of interested person transactions is set out on pages 157 and 158 of this Annual Report. There were no interested person transactions entered into by the Group in excess of $100,000 during the financial year under review.

Corporate Governance Report (Cont'd)

APPENDIX – BOARD COMMITTEES' – DUTIES AND RESPONSIBILITIES

AUDIT COMMITTEE

- Review financial statements and formal announcements relating to financial performance, as well as discuss major risk areas and significant financial reporting issues and judgments contained in them, for better assurance of the integrity of such statements and announcements before submission for Board approval.
- Review and report to the Board annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management system.
- Review the assurance from the CEO and the CFO on the financial records and financial statements.
- Review the external auditors' proposed audit scope and approach and ensure that no unjustified restrictions or limitations have been placed on the scope.
- Review the adequacy, effectiveness and the results of the external audit, and where external auditors provide non-audit services, to review the nature, extent and cost of such services and the independence and objectivity of the external auditors.
- Review the internal audit programme with regard to the complementary roles of the external and internal audit functions.
- Review the adequacy, effectiveness, independence, scope and results of the internal audit procedures.
- Receive reports of the external and internal auditors, and ensure that the significant findings and recommendations are discussed and addressed on a timely basis.
- Meet with external auditors and internal auditors, without the presence of management, at least annually, to discuss any problems and concerns.
- Review the co-operation given by the Group and its management to the external and internal auditors.
- Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors.
- Approve the hiring, removal evaluation and compensation of the outsourced internal audit function.
- Review the policy and arrangements by which employees and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken.
- To review any potential conflicts of interests that may arise in respect of any directors and/or controlling shareholders of the Company for the time being.
- Review and recommend for the Board's approval, all interested person transactions, as specified under Chapter 9 of the Listing Manual, to ensure that the transactions have been conducted on normal commercial terms and are not prejudicial to the interests of the Company and its non-controlling shareholders.
- Investigate any matters within the Audit Committee's purview, whenever it deems necessary.
- Perform such other functions as the Board may determine.

NOMINATING COMMITTEE

- Review the nominations and recommend to the Board the appointment and re-appointment of directors.
- Annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and determine the suitable size of the Board which would facilitate decision-making after taking into consideration the scope and nature of the operations of the Group and recommend adjustments that are deemed necessary to the Board.
- Annual review of independence of each director and to ensure that the Board comprises at least one-third independent directors. In this connection, the Nominating Committee should conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his first appointment.
- Where a director has multiple listed company board representations and/or other principal commitments, to decide whether the director is able to and has been adequately carrying out his duties as director of the Company.
- Recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director.
- Annual assessment of the effectiveness of the Board as a whole and of the individual directors.
- Review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman and CEO) and key management personnel.
- Review the training and professional development programmes for board members.
- Perform such other functions as the Board may determine.

REMUNERATION COMMITTEE

- Review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each director (executive and independent), as well as for the key management personnel.
- Review the on-going appropriateness and relevance of the remuneration policies.
- Review the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous.
- Perform such other functions as the Board may determine.

Save that a member of this Committee shall not be involved in the deliberations in respect of any remuneration, compensation, award of shares or any form of benefits to be granted to him/her.

RISK MANAGEMENT COMMITTEE

- Receive recommendations on risk tolerance and strategy from management, and where appropriate, report and recommend to the Board for its determination the nature and extent of significant risks which the Group overall may take in achieving its strategic objectives and the Group's overall levels of risk tolerance and risk policies.
- Review and discuss, as and when appropriate, with management on the Group's risk governance structure and its risk policies and risk mitigation and monitoring processes and procedures.
- Receive and review reports from management on major risk exposures and the steps taken to monitor, control and mitigate such risks.
- Review the Group's capability to identify and manage new risk types.
- Review and monitor the Group's approach to ensure compliance with the regulatory commitments, including progress of remedial actions where appropriate.
- Provide timely input to the Board on critical risk and compliance issues, material matters, findings and recommendations.
- Assist the AC in forming the opinion on the adequacy and effectiveness of the Group's risk management systems by providing insight and outcome of review and discussion of the RMC.
- Perform such other functions as the Board may determine.

Risk Management

The Board is responsible for determining the nature and extent of the risks it is willing to take in order to achieve its objectives and has implemented a comprehensive risk management framework to help it do so. By managing the risks in a professional and consistent way, we aim to prevent risks from impacting our business , or to enable us to respond promptly and decisively when they do, gives us confidence in our ability to achieve our strategic objectives and support the long-term sustainable growth of our business.

Risk management forms an integral part of business management. The Group's risk and control framework is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the 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 and updated regularly to reflect changes in market conditions and the activities of the Group.

The Group takes a balanced approach to risk management, recognising that not all risks can be eliminated. To optimise returns for the Group, it will only undertake appropriate and well-considered risks.

The Group's risk management process consists of identification, assessment, formulation of mitigation measures, communication and implementation, and monitoring and review. The process takes into consideration both the impact and likelihood of the risks identified.

IDENTIFY	Identify the risks and opportunities that may impede or expedite our ability to achieve our ignite strategic objectives.
ASSESS	Prioritise our risks according to a consistent set of definitions, considering both the impact and the likelihood of occurrence, allowing us to focus on our mitigation plans.
MITIGATE	Take action to address the risks we face either to control the likelihood of the risks crystallising or mitigate the impact if they do and bring our risk profile in line with the Board's risk appetite.
IMPLEMENT	Communicate and deliver on-going support for the implementation of the necessary action plans.
MONITOR	Maintain an up-to-date assessment of risks and ensure that mitigating actions are taken in a timely way.

The following set out an overview of the key risks faced by Qian Hu, the nature and the extent of the Group's exposure to these risks and the mitigating actions in place that we believe could help in managing these risks. In the year under review, we are satisfied that there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.

BUSINESS AND STRATEGY RISKS

Business and strategy risks refer to factors affecting businesses such as customer demand, revenue attainment, macroeconomic conditions, competition and regulatory environment. They are normally managed by the respective divisions and subsidiaries within the Group in their pursuit of growth and meeting earnings target.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
Strategy and investment risk	
• The Group grows businesses through organic growth of its existing activities, development of new capabilities (e.g. product innovation) and through new ventures (e.g. aquaculture business) with business partners; hence; it is exposed to risks associated with its expansion plans, including the financial burden of setting up new businesses and dealing with unfamiliar rules and regulations in foreign jurisdictions. • The investment timeframe and the budgets for such expansion plans will be exceeded and that the parameters set will not be achieved.	• Business proposals and investment activities are evaluated through the 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 relevant risk factors. • All business proposals are reviewed by the senior management before obtaining final Board approval. • Investments are monitored to ensure that they are on track in meeting the Group's strategic intent, investment objectives and returns.
Market and political risk	
• The Group currently operates in five countries with assets and activities spreading mainly across the Asia Pacific. The subsidiaries in these countries are exposed to changes in government policies and regulations, as well as unfavourable political developments, which may limit the realisation of business opportunities and investments in those countries. • The Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets.	• Consistently keep up-to-date on the potential changes in political, economic and industrial developments so as to be able to anticipate and/or respond to any adverse changes in market conditions in a timely manner. • As at 31 December 2019, approximately 38% of the Group's assets are located overseas, while revenue from its overseas' customers constitute approximately 67% of the total revenue in FY 2019. As the Group currently exports to more than 80 cities and countries, the effect of greater geographical diversification reduces the risk of concentration in a single market.
Regulatory risk	
• The Group's operations are subject to changes in prevailing laws and regulations in their respective jurisdictions, particularly in areas of corporate law, environment law, and possible local government interventions impacting the industry.	• 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, the 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.	• Strive to maintain competitiveness through differentiation of products and leveraging on 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. • Invest perpetually in research and development activities in order to develop more innovative accessories products with in-house proprietary technology so as to enhance its market competitiveness.

Risk Management (Cont'd)

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
Reputation risk • The Group may face negative publicity or diminution in public confidence if there are mishandling of transactions or events.	• 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 relations efforts which has won itself many awards in various aspects. • Clear corporate mission statements and guiding principles are in place and communicated to all employees within the Group so as to uphold the reputation of the Group.
Business continuity risk • The Group may encounter unforeseen circumstances, including internal and external threats, which can prevent the continuation of its business operations such as during crisis or disasters.	• Focus on refining its business continuity management, including the setting up of an operational prevention and recovery framework, so as to ensure that it can continue to maintain its competitive advantage, maximise value for its stakeholders, as well as minimise any disruptions to its critical business activities, people and assets. • Crisis management and communication procedures are in place and refined constantly to allow for prompt responses and expedite recovery so as to enhance the resilience of the Group to potential business interruptions.

OPERATIONAL RISKS

Operational risks refer to persons, processes, products, information technology and practices in the business activities which may not operate as designed or planned.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
Operational processes risk • Possible breakdown in internal process, deficiencies in people and management, or operational failure arising from external events could resulted in potential loss to the Group.	• Minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as through business continuity planning. • Operating manuals, standard operating procedures and the delegation of authority matrix are in place. • On-going efforts to streamline business processes and adopt ISO standards and certifications to achieve standardisation of processes and best practices. • Conduct regular reviews of policies and authority limits to ensure its relevance in meeting changing business environment.
Product risk • Ornamental fish, like other livestock, is susceptible to disease and infection. • Products and services offered by the Group may fail to meet customers' needs and expectations due to its functionality or quality, which can be damageable to the brand integrity.	• 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. • Institutionalised a comprehensive health management and quarantine system for all domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for the fishes. Currently, all domestic and overseas fish operations have attained ISO certifications, including the breeding of Dragon Fish. • Integrated in-house R&D team to focus on 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 issues. • Diversified in both its products and markets by selling 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 species of fish or type of accessories products.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
People risk	
• The Group depends on the service of good personnel for business continuity. While no individual is indispensable, the loss of specialised skills and the leadership of the key management personnel, could result in business interruptions and a loss in shareholders' confidence. • Succession plan execution is a challenge given the size of the Group.	• Although Qian Hu has always been viewed as a family business largely run and controlled by the Yap family, it is in fact run by a team of dedicated Qian Hu family members and professional executives, not solely by the Yap family members. • Provide a cohesive environment under which employees could develop their potential and career path so as to ensure that human capital are nurtured and retained. • Set up a non-discriminatory reward framework linked to individual performance. • Has since put in place a structured succession planning program to identify and develop a team of potential employees based on their merit, who can take Qian Hu to the next lap of growth. The training of a team of next-generation leaders is critical to the continuity of the business which should last beyond this generation.
Climate change and environmental risk	
• Climate change and environmental risk is a growing concern. The recent spate of natural catastrophes and the continuing threat of future occurrences, especially in the past few years, may disrupt the Group's fish breeding/farming activities and/or logistics arrangements, resulting in economic losses.	• Embark on strategic reviews on key areas, such as infrastructure and logistics, to minimise the business impact of untoward events. • Explore the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species, to mitigate and manage risks relating to adverse weather conditions, and to ensure consistent supply of these fish species. • Develop more proactive measures and environmental practices and continue to embrace and leverage on technology to improve processes.

FINANCIAL RISKS

Financial risks arise from volatility in the underlying financial market and include factors such as interest rates, foreign exchange and equity prices.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
Credit risk	
• The Group may suffer potential financial loss resulting from the failure of customers or counterparties to settle their financial and contractual obligations as and when they fall due.	• Standard procedures in place which includes the application of credit approvals, performing credit evaluations, setting credit limits and the monitoring of credit risk on a regular basis. Cash terms or advance payments are required for customers with lower credit standing. • None of the Group's customers or suppliers contributes more than 5% of its revenue and purchases. It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. • While the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making provisions once trade receivables are deemed not collectible. Major collectible issues are highlighted to all concerned.

Risk Management (Cont'd)

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
Interest rate risk	
• The Group is exposed to interest rate fluctuations from external borrowings.	• Monitor interest rate trends on an on-going basis with the objective of limiting the extent to which the Group's results could be affected by an adverse movement in interest rate. • Cash balances are placed with reputable banks and financial institutions. For financing obtained through bank borrowings and finance lease arrangements, it is the Group's policy to obtain the most favourable interest rates available without increasing its foreign currency exposure.
Liquidity risk	
• Renewal or additional financing made available to the Group on favourable terms is subject to prevailing global and local economic conditions, credit and capital market sentiments.	• Monitor working capital requirements and maintain a level of cash and cash equivalents deemed adequate to mitigate the effects of fluctuations in cash flows, as well as to ensure that the Group has sufficient funds to meet its contractual and financial obligations as and when they fall due. • Cash flow projections and available bank facilities are reviewed regularly to ensure efficient management of liquidity position. • Enhance ability to generate cash from operating activities so as to improve the Group's cash position; hence, reducing liquidity risk.
Foreign exchange risk	
• The foreign exchange risk of the Group arises from sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. • Exchange gain or loss may also arise when the assets and liabilities in foreign currencies are translated into Singapore dollars for financial reporting purposes.	• Continuous monitoring of 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. • Natural hedging is used extensively, including the matching of sales and purchases of the same currency and amount where practicable. • Foreign currencies received are kept in foreign currencies bank accounts which are converted to the respective measurement currencies of the Group's companies on a need-to basis so as to minimise foreign exchange exposure. • Currency translation risk (especially for reporting purposes), which is inherent for operations outside Singapore, is non-cash in nature and therefore not hedged.
Capital structure risk	
• Insufficient capital structure could impact the Group's ability to provide appropriate returns to the shareholders.	• 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 of the Group. • In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new bank borrowings, sell its assets to reduce external borrowings, adjust the amount of dividend payout or return a portion of capital to its shareholders.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
Financial management risk	
• Rely on self- assessment, review and reporting process 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 and effective. • 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.	• Formalised operating manuals and standard operating procedures. • Internal controls over financial reporting are reviewed regularly 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.
Derivative financial instrument risk	
• Market conditions may move against the Group's assumptions at the time of hedging the transactions.	• The Group does not hold or issue derivative financial instruments for trading purposes.

COMPLIANCE RISKS

Compliance risks are the current and prospective risks arising from violation of, or non-conformance with laws, rules, regulations, or ethical standards.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
Compliance risk	
• As a listed company incorporated in Singapore with overseas subsidiaries in various countries, the Group is obligated to comply with all the local statutory and regulatory requirements, such as the Singapore Exchange Listing Manual requirements and the Companies Act, etc. Nonetheless, the rapid changes in laws and regulations and practices in different jurisdictions has made compliance more complicated. • Fraud or deliberate wrongful act committed within the Group can result in financial loss.	• Implemented effective compliance frameworks, which include putting in place the relevant internal controls processes, policies and procedures, delegation of authority matrix, risk management initiatives and corporate governance practices to monitor the level of compliance so as to minimise the level of lapses. • Established internal guidelines (Code of Business Ethics and Conduct) and anti-corruption polices have been defined and put into practice for which employees are accountable for compliance. • Whistle blowing policy has been in place since FY 2006, whereby 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. • External auditors are engaged for statutory audit and internal auditors are engaged to conduct regular operations review. Both sets of auditors report directly to the Audit Committee.

Risk Management (Cont'd)

INFORMATION TECHNOLOGY RISKS

Information technology (IT) risks include hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fire, storms or floods.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
Cyber security risk	
• The Group is imperiled to a full range risks, presented in various forms, associated with its IT system, including disruptions to the network. • Increasing global incidence of cyber-attacks on company servers and websites demonstrates the need to reinforce and tighten the security of the Group's IT systems and avoid breach. • Cyber-attacks can disrupt operations and the resulted cyber thefts of sensitive and confidential information could lead to litigations and financial losses.	• Adopted 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. • Put in place appropriate measures to safeguard against loss of information, data security, as well as to ensure the continuity of the Group's business activities and its prompt recovery from an IT crisis. • Conduct regular training for users to heighten awareness of IT threats.

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Directors' Statement

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 102 to 173 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance and changes in equity of the Group and the Company, and the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Kenny Yap Kim Lee
Alvin Yap Ah Seng
Lai Chin Yee
Tan Tow Ee
Chang Weng Leong
Sharon Yeoh Kar Choo
Ling Kai Huat

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the 'Act'), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings in the name of the director			Holdings in which the director is deemed to have an interest		
	1/1/2019	31/12/2019	10/1/2020	1/1/2019	31/12/2019	10/1/2020
The Company						
Ordinary shares						
Kenny Yap Kim Lee	3,500,000	3,500,000	3,500,000	–	–	–
Alvin Yap Ah Seng	3,951,138	3,951,138	3,951,138	–	–	–
Lai Chin Yee	80,350	80,350	80,350	–	–	–
Chang Weng Leong	34,650	34,650	34,650	–	–	–
Tan Tow Ee	50,000	50,000	50,000	–	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Directors' Statement (Cont'd)

The Singapore Exchange Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interests of each director of the Company in the share capital of the Company. As the Directors' Statement of the Company is dated 13 January 2020, the Company is unable to comply with the 21 days' requirement. However, for the purpose of best practice, the Company has disclosed the direct and deemed interests of each director of the Company at the last business trading day before the date of the Directors' Statement.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

As at the end of the financial year, no options or warrants to take up unissued shares of the Company or its subsidiaries were granted and no shares were issued by virtue of the exercise of options or warrants to take up unissued shares of the Company or its subsidiaries.

No warrants or options to take up unissued shares of the Company or its subsidiaries were outstanding as at the end of the financial year.

Audit committee

At the date of this statement, the Audit Committee comprises the following members, all of whom are non-executive and independent:

- Tan Tow Ee (Chairman of the Audit Committee)
- Chang Weng Leong
- Sharon Yeoh Kar Choo
- Ling Kai Huat

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last Directors' Statement. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

13 January 2020

Independent Auditors' Report

Members of the Company
Qian Hu Corporation Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Qian Hu Corporation Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 102 to 173.

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

Basis for opinion

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

Key audit matters

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

Valuation of biological assets Refer to Note 6 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. Prevailing oversupply of dragon fish continues to exert downward pressure on the selling prices of dragon fish. This presents a risk that the brooder stock balance may not be recoverable, resulting in losses. Management performed an annual impairment review on brooder stock, which involves significant judgement in estimating future cash flows. Due to the level of judgement involved, this is one of the key areas that our audit focused on.	We considered the appropriateness of the valuation methodology and tested the information used by management. The key assumptions underlying the projected cash flows (including production yield and budgeted revenue growth) are challenged by comparing against historical information of the Group and consideration of other external and internal factors. Our valuation specialists are engaged to assess the reasonableness of the discount rate used. We tested the mathematical accuracy of the discounted cash flow model and evaluated the sensitivity of the outcomes by considering reasonably plausible changes to the key assumptions. In addition, we evaluated the appropriateness of the relevant disclosure in relation to the valuation of biological assets.
Our findings The key assumptions underlying the projected cash flows are comparable to the historical information of the Group and/ or aligned with internal and external factors noted. The Group's impairment review is dependent on the extent of the changes in all the key assumptions used. We found that the disclosure appropriately describes the inherent degree of judgement involved.	

<table>
<tr><td colspan="2">Valuation of trade and other receivables – QHCL's level
Refer to Note 9 to the financial statements</td></tr>
<tr><td>The key audit matter

In the prior year, the Group has significant and long outstanding receivables from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH) amounting to $10.0 million, of which $7.3 million of this amount was guaranteed by a major shareholder and a director of the Company. No loss allowance was made for these balances as of the last reporting date.

During the year, upon the completion of its acquisition, GZQH became a wholly-owned subsidiary of the Group as at year end. The outstanding amounts due from GZQH at QHCL's level amounted to approximately $10.3 million, of which $7.2 million was guaranteed by a major shareholder and a director of the Company.

The assessment of collectability of long outstanding receivables involves significant judgement of the debtors' ability to pay and the credit worthiness of their guarantors.</td><td>How the matter was addressed in our audit

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.</td></tr>
<tr><td colspan="2">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.</td></tr>
</table>

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

Other information

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

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

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

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 Yeo Lik Khim.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 January 2020

Statements of Financial Position

As at 31 December 2019

	Note	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Assets					
Property, plant and equipment	4	11,257,829	9,535,743	4,217,726	4,488,095
Investment property	5	–	–	–	–
Biological assets	6	10,280,387	10,520,663	10,280,387	10,520,663
Intangible assets	7	7,186,476	3,288,713	3,106,713	3,228,713
Subsidiaries	8	–	–	3,902,070	3,888,402
Trade and other receivables	9	–	8,998,265	–	8,998,265
Non-current assets		28,724,692	32,343,384	21,506,896	31,124,138
Biological assets	6	119,730	121,260	119,730	121,260
Inventories	10	18,245,000	15,863,663	5,592,786	6,646,226
Trade and other receivables	9	18,695,917	19,987,711	28,164,528	20,871,862
Cash and cash equivalents	11	13,784,384	11,491,413	7,501,163	5,673,484
Current assets		50,845,031	47,464,047	41,378,207	33,312,832
Total assets		79,569,723	79,807,431	62,885,103	64,436,970
Equity					
Share capital	12	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	13	18,621,143	17,688,335	9,188,585	9,268,764
Equity attributable to owners of the Company		49,393,931	48,461,123	39,961,373	40,041,552
Non-controlling interests		2,493,407	2,346,476	–	–
Total equity		51,887,338	50,807,599	39,961,373	40,041,552
Liabilities					
Loans and borrowings	14	1,500,419	215,515	209,313	148,246
Deferred tax liabilities	15	70,595	45,595	–	–
Non-current liabilities		1,571,014	261,110	209,313	148,246
Loans and borrowings	14	16,307,349	17,330,590	15,307,299	17,206,361
Trade and other payables	16	9,492,806	11,057,810	7,199,661	6,833,354
Current tax payable		311,216	350,322	207,457	207,457
Current liabilities		26,111,371	28,738,722	22,714,417	24,247,172
Total liabilities		27,682,385	28,999,832	22,923,730	24,395,418
Total equity and liabilities		79,569,723	79,807,431	62,885,103	64,436,970

The accompanying notes form an integral part of these financial statements.

Statements of Profit or Loss

Year ended 31 December 2019

	Note	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Revenue	17	76,914,940	85,667,064	37,537,583	45,438,930
Cost of sales		(53,404,159)	(59,624,648)	(26,372,637)	(32,000,651)
Gross profit		23,510,781	26,042,416	11,164,946	13,438,279
Other income		3,632,547	1,637,391	4,065,535	2,214,568
Selling and distribution expenses		(2,480,343)	(2,196,185)	(845,562)	(988,576)
General and administrative expenses		(23,125,423)	(24,106,614)	(13,773,952)	(13,876,164)
Reversal of (Impairment loss) on trade receivables		51,653	(95,766)	25,353	(79,492)
Results from operating activities		1,589,215	1,281,242	636,320	708,615
Finance income		55,746	7,802	16,357	2,720
Finance costs		(585,885)	(513,294)	(539,537)	(486,000)
Net finance costs	18	(530,139)	(505,492)	(523,180)	(483,280)
Profit before tax	19	1,059,076	775,750	113,140	225,335
Tax expense	20	(115,336)	(207,272)	–	(24,570)
Profit for the year		943,740	568,478	113,140	200,765
Profit attributable to:					
Owners of the Company		919,844	401,791	113,140	200,765
Non-controlling interests		23,896	166,687	–	–
Profit for the year		943,740	568,478	113,140	200,765

	Note	Group 2019	Group 2018
Earnings per share (cents)	22		
Basic		0.81	0.35
Diluted		0.81	0.35

Financial

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

Year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Profit for the year	943,740	568,478	113,140	200,765
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations, net of tax	363,051	(619,273)	33,733	18,667
Other comprehensive income for the year, net of tax	363,051	(619,273)	33,733	18,667
Total comprehensive income for the year	1,306,791	(50,795)	146,873	219,432
Total comprehensive income attributable to:				
Owners of the Company	1,159,860	492,047	146,873	219,432
Non-controlling interests	146,931	(542,842)	–	–
Total comprehensive income for the year	1,306,791	(50,795)	146,873	219,432

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

Year ended 31 December 2019

Group	Share capital $	Translation reserve $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
	Attributable to owners of the Company					
At 1 January 2018	30,772,788	43,720	18,101,960	48,918,468	2,716,178	51,634,646
Adjustment on initial application of SFRS(I) 9 (net of tax)	–	–	(722,340)	(722,340)	(65,660)	(788,000)
Total comprehensive income for the year						
Profit for the year	–	–	401,791	401,791	166,687	568,478
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of tax	–	90,256	–	90,256	(709,529)	(619,273)
Total other comprehensive income	–	90,256	–	90,256	(709,529)	(619,273)
Total comprehensive income for the year	–	90,256	401,791	492,047	(542,842)	(50,795)
Transactions with owners, recognised directly in equity						
Distributions to owners						
Dividends paid	–	–	(227,052)	(227,052)	–	(227,052)
Total distributions to owners	–	–	(227,052)	(227,052)	–	(227,052)
Changes in ownership interests						
Incorporation of subsidiary with non-controlling interests	–	–	–	–	238,800	238,800
Total changes in ownership interests	–	–	–	–	238,800	238,800
Total transactions with owners of the Company	–	–	(227,052)	(227,052)	238,800	11,748
At 31 December 2018	30,772,788	133,976	17,554,359	48,461,123	2,346,476	50,807,599

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity (Cont'd)

Year ended 31 December 2019

	Attributable to owners of the Company					
Group	**Share capital $**	**Translation reserve $**	**Retained earnings $**	**Total $**	**Non-controlling interests $**	**Total equity $**
At 1 January 2019	30,772,788	133,976	17,554,359	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	–	240,016	919,844	1,159,860	146,931	1,306,791
Transactions with owners, recognised directly in equity						
Distributions to owners						
Dividends paid	–	–	(227,052)	(227,052)	–	(227,052)
Total transactions with owners of the Company	–	–	(227,052)	(227,052)	–	(227,052)
At 31 December 2019	30,772,788	373,992	18,247,151	49,393,931	2,493,407	51,887,338

The accompanying notes form an integral part of these financial statements.

Company	Share capital $	Retained earnings $	Translation reserve $	Total equity $
At 1 January 2018	30,772,788	9,668,079	9,305	40,450,172
Adjustment on initial application of SFRS(I) 9 (net of tax)	–	(401,000)	–	(401,000)
Total comprehensive income for the year				
Profit for the year	–	200,765	–	200,765
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	–	–	18,667	18,667
Total other comprehensive income	–	–	18,667	18,667
Total comprehensive income for the year	–	200,765	18,667	219,432
Transactions with owners, recognised directly in equity				
Distributions to owners				
Dividends paid	–	(227,052)	–	(227,052)
Total transactions with owners of the Company	–	(227,052)	–	(227,052)
At 31 December 2018	30,772,788	9,240,792	27,972	40,041,552
Total comprehensive income for the year				
Profit for the year	–	113,140	–	113,140
Other comprehensive income				
Foreign currency translation differences for foreign operations, net of tax	–	–	33,733	33,733
Total other comprehensive income	–	–	33,733	33,733
Total comprehensive income for the year	–	113,140	33,733	146,873
Transactions with owners, recognised directly in equity				
Distributions to owners				
Dividends paid	–	(227,052)	–	(227,052)
Total transactions with owners of the Company	–	(227,052)	–	(227,052)
At 31 December 2019	30,772,788	9,126,880	61,705	39,961,373

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows
Year ended 31 December 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Profit before tax		1,059,076	775,750
Adjustments for:			
Amortisation of intangible assets		148,667	142,000
(Reversal of) Impairment loss on trade receivables		(51,653)	95,766
Allowance for inventory obsolescence		16,500	23,500
Depreciation of			
- property, plant and equipment		2,680,417	1,799,211
- biological assets		240,276	226,355
Property, plant and equipment written off		2,084	8,255
Loss (Gain) on disposal of			
- property, plant and equipment		7,275	(58,191)
- investment property		–	24,801
- a subsidiary		–	(65,618)
Change in fair value less estimated point-of-sale costs of breeder stocks		–	30,000
Finance costs		585,885	513,294
Finance income		(55,746)	(7,802)
		4,632,781	3,507,321
Changes in working capital:			
Inventories		1,521,335	(906,919)
Breeder stocks		1,530	(54,510)
Trade and other receivables		1,255,357	31,970
Trade and other payables		(846,076)	(1,849,518)
Cash generated from operations		6,564,927	728,344
Tax paid		(153,625)	(213,299)
Net cash from operating activities		6,411,302	515,045
Cash flows from investing activities			
Purchase of			
- property, plant and equipment		(919,771)	(1,591,484)
- intangible asset		–	(80,000)
Interest received		55,746	7,802
Proceeds from disposal of			
- property, plant and equipment		38,550	113,597
- investment property		–	1,579,200
Disposal of a subsidiary, net of cash and cash equivalents	28	–	(299,219)
Acquisition of subsidiary, net of cash and cash equivalents	28	137,806	–
Acquisition of additional interest in a subsidiary		–	(614,457)
Net cash used in investing activities		(687,669)	(884,561)

The accompanying notes form an integral part of these financial statements.

	Note	2019 $	2018 $
Cash flows from financing activities			
Dividends paid to			
- owners of the Company		(227,052)	(227,052)
- non-controlling interests		–	(168,800)
Drawdown of bank term loans		–	2,200,000
Capital contribution from non-controlling interests		–	238,800
Interest paid		(586,237)	(504,015)
Repayment of			
- lease liabilities (2018: finance lease liabilities)		(948,410)	(249,085)
- bank term loans		(1,700,000)	(567,520)
Net cash (used in) from financing activities		(3,461,699)	722,328
Net increase in cash and cash equivalents		2,261,934	352,812
Cash and cash equivalents at beginning of year		11,491,413	11,123,954
Effect of exchange rate fluctuations on cash held		31,037	14,647
Cash and cash equivalents at end of year	11	13,784,384	11,491,413

Significant non-cash transaction

During the previous financial year, brooder stocks with cost of $1,365,000 was transferred to the Group for the partial settlement of outstanding debts due from a debtor.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 13 January 2020.

1 Domicile and activities

Qian Hu Corporation Limited (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is 71 Jalan Lekar, Singapore 698950.

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The principal activities of the Company are those relating to import, export, farming, breeding and distribution of ornamental fishes and aquarium and pet accessories. The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)s).

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost.

- Biological assets (breeder stock) are measured at fair value less estimated point-of-sale costs.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I)s 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.

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 financial year are included in the following notes:

- Notes 6 and 7 – impairment test: key assumptions on underlying recoverable amounts
- Note 9 – measurement of expected credit loss (ECL) allowance for trade and other receivables: key assumptions in determining the weighted-average loss rate

2.4 Use of estimates and judgements (continued)

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, such as broker quotes or pricing services, 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 as follows:

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

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.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – biological assets
- Note 26 – financial risk management

2.5 Changes in significant accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

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

Other than SFRS(I) 16, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

2.5 Changes in significant accounting policies (continued)

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the amount of right-of-use assets recognised is equal to the lease liabilities as at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases many assets including properties and office equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

2.5 Changes in significant accounting policies (continued)

Leases classified as finance leases under SFRS(I) 1-17

The Group leases a number of items of motor vehicles. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

Impact on financial statements

Impact on transition*

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019 $
Right-of-use assets – property, plant and equipment	1,163,178
Lease liabilities	(1,163,178)

* For the impact of SFRS(I) 16 on profit or loss for the period, see Note 29. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 3.8.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3%.

	1 January 2019 $
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements	1,353,027
Discounted using the incremental borrowing rate at 1 January 2019	1,302,644
Finance lease liabilities recognised as at 31 December 2018	438,754
- Recognition exemption for leases with less than 12 months of lease term	(139,466)
Lease liabilities recognised at 1 January 2019	1,601,932

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest (NCI) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

3.1 Basis of consolidation (continued)

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that investment, together with any long-term interests that form part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and associates in the separate financial statements

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less any accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below).

3.2 Foreign currency (continued)

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I)s, such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3.3 Financial instruments

(a) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3.3 Financial instruments (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset, on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.3 Financial instruments (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, and trade and other payables.

(c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

3.3 Financial instruments (continued)

(f) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(g) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

3.4 Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.4 Property, plant and equipment (continued)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land and assets under construction are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold buildings	20 years
Leasehold land	over the remaining lease terms
Leasehold buildings	over the remaining lease terms
Leasehold improvements	over the remaining lease terms
Motor vehicles	5 – 10 years
Computers	3 years
Furniture, fittings and office equipment	5 – 10 years
Equipment and tools	8 – 10 years
Machinery and equipment	5 – 10 years
Electrical and installation	8 -10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Investment property

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. This includes land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied and classified as property, plant and equipment, rather than as investment properties.

Investment property is measured at cost less accumulated depreciation and accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 3.4. Freehold land is not depreciated.

Gains and losses on disposal of investment property is determined by comparing the proceeds from disposal with the carrying amount of investment property, and are recognised net in profit or loss.

Depreciation methods and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate.

Other intangible assets

(a) Trademarks/Customer acquisition costs/Formulation rights

- Trademarks rights of certain brands of pet food are estimated to have indefinite lives because based on the current market share of the trademarks, management believes there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flows for the Group. Such intangible assets are tested for impairment annually as described in Note 7.

- Customer acquisition costs with finite lives are stated at cost less accumulated amortisation and any impairment losses. These costs are amortised on a straight-line basis over 3 years.

- Trademarks/Formulation rights with finite lives are stated at cost less accumulated amortisation and any impairment losses. These costs are amortised on a straight-line basis over 25 years.

(b) Product listing fees

Product listing fees with finite lives are stated at cost less accumulated amortisation and any impairment losses.

These costs are amortised on a straight-line basis over 3 years.

The amortisation method, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.7 Biological assets

The Group is engaged in the breeding of dragon fish for commercial sale and accounts for its brooder and breeder stocks as follows:

Brooder stocks

Brooder stocks are parent stocks of dragon fish, held for the breeding of dragon fish. As the fair value of brooder stocks cannot be reliably measured, the brooder stocks have been stated at cost less accumulated depreciation and any impairment losses. The brooder stocks are depreciated on a straight line basis over their estimated useful lives of 50 years.

3.7 Biological assets (continued)

Breeder stocks

Breeder stocks are the offsprings 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.

3.8 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

3.8 Leases (continued)

(i) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases - Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3.9 Inventories

Inventories comprise raw materials, work-in-progress, manufactured goods and ornamental fishes acquired from suppliers.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula and comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.10 Impairment

Non-derivative financial assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs; and
- intra-group financial guarantee contracts (FGC).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

3.10 Impairment (continued)

General approach (continued)

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

The allowance account in respect of trade and other receivables is used to record impairment losses until the financial asset is considered irrecoverable. At that point, the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3.10 Impairment (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.12 Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.13 Revenue

Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3.14 Government grants

Grants that compensate the Group for the cost of asset are deducted in arriving at the carrying amount of the asset.

3.15 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income; and
- interest expense.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

3.15 Finance income and finance costs (continued)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.16 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.17 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman and Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.19 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendment to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of a* Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

Notes to the Financial Statements (Cont'd)

4 Property, plant and equipment

Group	Freehold land and buildings $	Leasehold land and buildings $	Leasehold improvements $	Motor vehicles $
Cost				
At 1 January 2018	1,644,362	11,343,727	2,377,312	3,140,129
Translation differences on consolidation	48,127	(8,038)	8,207	6,047
Additions	571,802	211,944	200,639	425,927
Disposals/Write offs/Transfers	–	–	–	(405,550)
Reclassification	–	93,463	–	–
Disposal of subsidiary	–	–	–	(100,192)
At 31 December 2018	2,264,291	11,641,096	2,586,158	3,066,361
Recognition of right-of-use assets on initial application of SFRS(I) 16	–	1,086,593	–	–
Adjusted balance at 1 January 2019	2,264,291	12,727,689	2,586,158	3,066,361
Translation differences on consolidation	139,506	(1,853)	31,347	22,477
Additions	141,875	1,130,622	40,761	335,906
Disposals/Write offs/Transfers	–	–	–	(227,416)
Derecognition due to expiry of lease	–	(364,495)	–	–
Reclassification	–	86,285	–	–
Acquisition via business combination	–	1,050,465	–	12,687
At 31 December 2019	2,545,672	14,628,713	2,658,266	3,210,015
Accumulated depreciation				
At 1 January 2018	322,824	7,889,416	1,570,147	1,933,049
Translation differences on consolidation	9,450	11,702	15,063	4,238
Depreciation charge for the year	201,815	318,879	209,287	394,883
Disposals/Write offs/ Transfers	–	–	–	(355,443)
Disposal of subsidiary	–	–	–	(75,016)
At 31 December 2018	534,089	8,219,997	1,794,497	1,901,711
Translation differences on consolidation	32,905	23,380	40,581	15,529
Depreciation charge for the year	240,119	1,128,823	216,445	416,594
Disposals/Write offs/ Transfers	–	–	–	(195,347)
Derecognition due to expiry of lease	–	(364,495)	–	–
At 31 December 2019	807,113	9,007,705	2,051,523	2,138,487
Carrying amounts				
At 1 January 2018	1,321,538	3,454,311	807,165	1,207,080
At 31 December 2018	1,730,202	3,421,099	791,661	1,164,650
At 31 December 2019	1,738,559	5,621,008	606,743	1,071,528

Computers $	Furniture, fittings and office equipment $	Equipment and tools $	Machinery and equipment $	Electrical and installation $	Construction in-progress $	Total $
1,657,269	1,461,475	299,603	6,882,168	1,417,121	75,618	30,298,784
4,418	6,805	(2,226)	(2,715)	(2,084)	–	58,541
71,311	36,706	6,316	175,760	33,253	90,549	1,824,207
(4,924)	(1,985)	–	(115,884)	–	–	(528,343)
–	–	–	–	–	(93,463)	–
(25,926)	(20,010)	–	(14,736)	(84,900)	–	(245,764)
1,702,148	1,482,991	303,693	6,924,593	1,363,390	72,704	31,407,425
–	76,585	–	–	–	–	1,163,178
1,702,148	1,559,576	303,693	6,924,593	1,363,390	72,704	32,570,603
14,168	20,493	(705)	9,136	4,538	–	239,107
69,496	30,623	20,940	125,921	14,198	138,517	2,048,859
(10,817)	(1,400)	–	(452,045)	–	–	(691,678)
–	–	–	–	–	–	(364,495)
–	–	–	–	–	(86,285)	–
6,938	24,638	–	56,612	6,201	–	1,157,541
1,781,933	1,633,930	323,928	6,664,217	1,388,327	124,936	34,959,937
1,499,905	1,235,213	247,834	4,736,297	1,265,453	–	20,700,138
3,711	7,708	(1,142)	(1,804)	(3,043)	–	45,883
79,027	56,749	10,373	470,886	57,312	–	1,799,211
(4,924)	(1,521)	–	(102,794)	–	–	(464,682)
(19,885)	(17,052)	–	(12,705)	(84,210)	–	(208,868)
1,557,834	1,281,097	257,065	5,089,880	1,235,512	–	21,871,682
12,408	21,254	147	9,205	2,864	–	158,273
78,924	81,660	12,633	444,823	60,396	–	2,680,417
(10,817)	(210)	–	(437,395)	–	–	(643,769)
–	–	–	–	–	–	(364,495)
1,638,349	1,383,801	269,845	5,106,513	1,298,772	–	23,702,108
157,364	226,262	51,769	2,145,871	151,668	75,618	9,598,646
144,314	201,894	46,628	1,834,713	127,878	72,704	9,535,743
143,584	250,129	54,083	1,557,704	89,555	124,936	11,257,829

Financial

4 Property, plant and equipment (continued)

	Leasehold land and buildings $	Leasehold improvements $	Motor vehicles $
Company			
Cost			
At 1 January 2018	9,763,681	746,590	1,467,123
Additions	6,915	15,000	254,267
Disposals/Write offs	–	–	(158,409)
Translation differences	–	(12,285)	(1,347)
Reclassification	93,463	–	–
At 31 December 2018	9,864,059	749,305	1,561,634
Recognition of right-of-use assets on initial application of SFRS(I) 16	189,362	–	–
Adjusted balance at 1 January 2019	10,053,421	749,305	1,561,634
Additions	–	36,084	219,447
Disposals/Write offs	–	–	(129,036)
Translation differences	–	(12,284)	(1,025)
Reclassification	86,285	–	–
At 31 December 2019	10,139,706	773,105	1,651,020
Accumulated depreciation			
At 1 January 2018	7,415,778	522,162	942,403
Depreciation charge for the year	248,577	47,913	174,842
Disposals/Write offs	–	–	(116,591)
Translation differences	–	(7,138)	(942)
At 31 December 2018	7,664,355	562,937	999,712
Depreciation charge for the year	317,058	47,511	204,154
Disposals/Write offs	–	–	(108,236)
Translation differences	–	(8,297)	(922)
At 31 December 2019	7,981,413	602,151	1,094,708
Carrying amounts			
At 1 January 2018	2,347,903	224,428	524,720
At 31 December 2018	2,199,704	186,368	561,922
At 31 December 2019	2,158,293	170,954	556,312

Financial

Computers $	Furniture, fittings and office equipment $	Machinery and equipment $	Electrical and installation $	Construction in-progress $	Total $
936,075	523,062	4,149,630	425,924	75,618	18,087,703
36,763	3,687	41,921	–	90,549	449,102
(4,924)	(845)	(16,687)	–	–	(180,865)
(165)	(575)	(10,240)	–	–	(24,612)
–	–	–	–	(93,463)	–
967,749	525,329	4,164,624	425,924	72,704	18,331,328
–	69,353	–	–	–	258,715
967,749	594,682	4,164,624	425,924	72,704	18,590,043
34,737	12,288	44,016	–	102,901	449,473
(6,929)	–	(12,567)	–	–	(148,532)
(166)	(575)	(10,563)	–	–	(24,613)
–	–	–	–	(86,285)	–
995,391	606,395	4,185,510	425,924	89,320	18,866,371
889,071	477,763	2,491,184	401,157	–	13,139,518
33,252	12,153	327,681	7,695	–	852,113
(4,924)	(381)	(8,897)	–	–	(130,793)
(135)	(482)	(8,908)	–	–	(17,605)
917,264	489,053	2,801,060	408,852	–	13,843,233
37,093	32,183	297,425	7,502	–	942,926
(6,929)	–	(3,303)	–	–	(118,468)
(150)	(502)	(9,175)	–	–	(19,046)
947,278	520,734	3,086,007	416,354	–	14,648,645
47,004	45,299	1,658,446	24,767	75,618	4,948,185
50,485	36,276	1,363,564	17,072	72,704	4,488,095
48,113	85,661	1,099,503	9,570	89,320	4,217,726

Notes to the Financial Statements (Cont'd)

4 Property, plant and equipment (continued)

Included in property, plant and equipment of the Group and the Company are the right-of-use assets related to leased properties of $2,203,306 and $131,097 respectively.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $2,048,859 (2018: $1,824,207), of which $107,875 (2018: $232,723) were acquired under finance leases and $1,021,213 relates to right-of-use assets. Cash payments of $919,771 (2018: $1,591,484) were made to purchase property, plant and equipment.

As at 31 December 2018, the carrying amounts of property, plant and equipment of the Group and the Company include amounts totalling $710,313 and $446,082 respectively, in respect of property, plant and equipment acquired under finance lease arrangements.

Details of properties held by the Group and the Company as at 31 December are as follows:

Location	Description and existing use	Tenure/ Unexpired term	Land area (sq m)	Carrying amount 2019 $	Carrying amount 2018 $
Leasehold land and buildings					
69 & 71 Jalan Lekar, Singapore	Fish farming	10 years from 11 November 2016	41,776	724,330	732,417
78 Jalan Lekar, Singapore	Fish farming	20 years from 20 February 2008	19,343	1,302,866	1,467,287
30/25 & 30/26 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2018 to 31 December 2020	3,290	25,282	42,521
30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2019 to 31 December 2020	1,740	3,863	–
30/24 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2018 to 31 December 2020	1,740	6,033	2,398
83, Tesco Lotus Supercenter Rama I, Dama I Road, Wangmai, Pathumwan District Bangkok, 10330 Thailand	Retail outlet	1 October 2018 to 30 September 2021	210	100,252	–
JL. Raya Brantamulya Tengsaw No. 9 Tarik Kolot, Kecamatan Citeureup Bogor, Indonesia	Fish farming	30 years from 1 May 2013	1,343	311,814	328,849
Yan Dun Wen Yuan Village Hui Wen Town Wen Chang City Hainan, China	Fish farming	1 January 2017 to 30 April 2033	4,000	697,792	663,416
			Balance carried forward	3,172,232	3,236,888

4 Property, plant and equipment (continued)

Location	Description and existing use	Tenure/ Unexpired term	Land area (sq m)	Carrying amount 2019 $	2018 $
		Balance brought forward		3,172,232	3,236,888
Leasehold land and buildings (continued)					
No. 12 Dongfeng Road, Qiancheng, Tanbu Town, Huadu District, Guangzhou, China	Office space, factory and warehousing	1 April 2017 to 31 March 2022	17,908	1,230,024	–
Dong Fish Farm Bei Ma Fang Village Jinzhang Town Chao Yang District Beijing, China	Office space and warehousing	1 July 1998 to 31 December 2025	8,658	114,973	–
Blk 20, Woodlands Link, #03-28/29, Singapore	Warehousing	1 April 2018 to 30 September 2027	389	163,158	184,211
No. 2AG, 6G, Lorong Batu Nilam 4B, Bandar Bukit Tinggi, 41200 Klang, Selangor, Malaysia	Retail outlet	1 March 2018 to 28 February 2020	307	10,306	–
No.2 Jalan Setia Prima SU 13/S Setia Alam Seksyen U13, 40170 Shah Alam, Selangor, Malaysia	Retail outlet	9 October 2019 to 8 October 2021	338	82,845	–
130, 130A & 130B, SS24/2 Taman Megah, 47301 Petaling Jaya, Selangor, Malaysia	Retail outlet	15 January 2019 to 14 January 2022	260	104,081	–
G18, Jalan Indah 15, Tesco Bukit Indah, Taman Bukit Indah, 81200 Johor Bahru, Malaysia	Retail outlet	4 March 2019 to 4 March 2022	216	70,257	–
Block C and E/F Lot 6212, Kampung Baru Balakong 43300 Balakong, Selangor, Malaysia	Office space and warehousing	1 January 2020 to 31 December 2022	3,700	673,132	–
		Balance carried forward		5,621,008	3,421,099

Notes to the Financial Statements (Cont'd)

4 Property, plant and equipment (continued)

Location	Description and existing use	Tenure/ Unexpired term	Land area (sq m)	Carrying amount 2019 $	Carrying amount 2018 $
		Balance brought forward		5,621,008	3,421,099
Freehold land and buildings					
761 Rangsit - Nakornayok 52 Road, Pachatipat, Tanyaburi, Pathumthani, 12130 Thailand	Residential	Freehold	444	86,800	92,312
Land No. 3903 Tambol Samreuan Amphur Meuang Ratchaburi Province 70000 Thailand	Fish Farming	Freehold	44,800	1,651,759	1,637,890
				7,359,567	5,151,301

5 Investment property

	Group 2019 $	Group 2018 $
Cost		
At 1 January	–	1,585,941
Disposal	–	(1,585,941)
At 31 December	–	–

The property was disposed off during the previous financial year.

The following are recognised in profit or loss in respect of the investment property:

	2019 $	2018 $
Direct operating expenses on income generating investment property (excluding depreciation)	–	560

6 Biological assets

	Brooder stocks Group and Company	
	2019	2018
	$	$
Cost		
At 1 January	12,015,000	10,650,000
Additions	–	1,365,000
At 31 December	12,015,000	12,015,000
Accumulated depreciation		
At 1 January	1,494,337	1,267,982
Depreciation charge for the year	240,276	226,355
At 31 December	1,734,613	1,494,337
Net carrying amount		
At 31 December	10,280,387	10,520,663
Estimated quantity at year end (pieces)	3,526	3,526

The 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.

The brooder stocks are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the brooder stocks to be 50 years. Management monitors the mortality rate of the brooder stocks on a continuing basis and is not aware of any developments or research findings that would require a revision of the useful lives for the brooder stocks.

During the financial year, the brooder stocks of the Group and the Company bred 7,098 (2018: 14,049) of dragon fish.

	Breeder stocks Group and Company	
	2019	2018
	$	$
At 1 January	121,260	96,750
Change in fair value less estimated point-of-sale costs	–	(30,000)
Decreases due to sales	(483,300)	(865,140)
Net increase due to births	481,770	919,650
At 31 December	119,730	121,260
Estimated quantity at year end (pieces)	1,629	1,552

Impairment tests for cash-generating units containing biological assets

The recoverable amounts of the above balances are based on value in use and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use in 2019 was determined in a similar manner as in 2018. No impairment loss was required for the carrying amount of biological assets at 31 December 2019 and 31 December 2018 as the recoverable value was in excess of the carrying value.

Notes to the Financial Statements (Cont'd)

6 Biological assets (continued)

Key assumptions used in discounted cash flow projection calculations

Key assumptions used in the calculation of recoverable amounts of biological assets are discount rates, production yield and growth rates. These assumptions are as follows:

	Discount rate		Production yield		Budgeted revenue growth	
	2019	2018	2019	2018	2019	2018
	%	%			%	%
Biological assets	13.0	13.3	4.9 – 9.9	4.9 – 13.0	5.0	5.0

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 3 years historical fry harvest rates.

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.

The Group is exposed to a number of risks related to its brooder stocks and breeder stocks:

Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of breeder stocks. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to manage the breeding program.

Climate and other risks

The Group's brooder stocks and breeder stocks are exposed to the risk of damage and fatalities from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections and industry disease surveys.

6 Biological assets (continued)

Sensitivity analysis

The estimated recoverable amount of the brooder stock exceeded its carrying amount by approximately $7,378,000 (2018: $4,297,000). The following table shows the percentage by which these three key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for recoverable amount to equal the carrying amount 2019 %	2018 %
Production yield	(39.0) – (42.3)	(0.1) – (44.2)
Growth rate	(296.4) – (348.6)	(0.9) – (399.1)
Discount rate	84.2 – 187.8	0.1 – 79.9

7 Intangible assets

Group	Trademarks/ Customer acquisition costs/ Formulation rights $	Product listing fees $	Goodwill $	Total $
Cost				
At 1 January 2018	3,971,497	196,153	–	4,167,650
Addition	80,000	–	–	80,000
At 31 December 2018	4,051,497	196,153	–	4,247,650
Acquisition via business combination	–	–	4,046,430	4,046,430
At 31 December 2019	4,051,497	196,153	4,046,430	8,294,080
Accumulated amortisation				
At 1 January 2018	620,784	196,153	–	816,937
Amortisation for the year	142,000	–	–	142,000
At 31 December 2018	762,784	196,153	–	958,937
Amortisation for the year	148,667	–	–	148,667
At 31 December 2019	911,451	196,153	–	1,107,604
Carrying amounts				
At 1 January 2018	3,350,713	–	–	3,350,713
At 31 December 2018	3,288,713	–	–	3,288,713
At 31 December 2019	3,140,046	–	4,046,430	7,186,476

7 Intangible assets (continued)

	Trademarks/ Customer acquisition costs/ Formulation rights $	Product listing fees $	Total $
Company			
Cost			
At 1 January 2018, 31 December 2018 and 31 December 2019	3,971,497	196,153	4,167,650
Accumulated amortisation			
At 1 January 2018	620,784	196,153	816,937
Amortisation for the year	122,000	–	122,000
At 31 December 2018	742,784	196,153	938,937
Amortisation for the year	122,000	–	122,000
At 31 December 2019	864,784	196,153	1,060,937
Carrying amounts			
At 1 January 2018	3,350,713	–	3,350,713
At 31 December 2018	3,228,713	–	3,228,713
At 31 December 2019	3,106,713	–	3,106,713

The amortisation charged is recognised in selling and distribution expenses in the statement of profit or loss.

(i) Impairment tests for cash-generating units containing trademarks/customer acquisition costs

Trademarks/Customer acquisition costs are costs paid for the acquisition and registration of brands and trademarks of pet food.

The recoverable amounts of the above balances are based on value in use and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use in 2019 was determined in a similar manner as in 2018. No impairment loss was required for the carrying amount of trademarks/customer acquisition costs at 31 December 2019 and 31 December 2018 as the recoverable value was in excess of the carrying value.

Key assumptions used in discounted cash flow projection calculations

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

	Discount rate		Terminal value growth rate		Budgeted revenue growth	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Pet food	13.0	13.3	3.0	3.0	5.0	5.0

7 Intangible assets (continued)

Key assumptions used in discounted cash flow projection calculations (continued)

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 management 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 the country 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.

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.

Sensitivity analysis

No sensitivity analysis is presented as the cashflow projection is not sensitive to any changes in the key assumptions.

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

For the purpose of impairment testing, goodwill has been allocated to GZQH, the lowest CGU.

The provisional goodwill of $4,046,430 is attributable mainly to the synergies expected to be achieved from integrating GZQH into the Group's existing accessories business. None of the goodwill recognised is expected to be deductible for tax purposes.

Key assumptions used in the estimation of value in use were as follows:

	2019 %	2018 %
Discount rate	13.0	–
Terminal growth rate	5.0	–
Net profit margin	5.5	–

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.

7 Intangible assets (continued)

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.

Sensitivity analysis

The estimated recoverable amount of the goodwill exceeded its carrying amount by approximately $686,000 (2018: nil). The following table shows the percentage by which these three key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for recoverable amount to equal the carrying amount	
	2019	2018
	%	%
Discount rate	3.9	–
Terminal growth rate	(19.7)	–
Net profit margin	(5.8)	–

8 Subsidiaries

	Company	
	2019	2018
	$	$
Unquoted equity investments, at cost	3,902,070	3,888,402

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and business	Ownership interest 2019	Ownership interest 2018	Cost of investment by the Company 2019	Cost of investment by the Company 2018
			%	%	$	$
* Qian Hu Tat Leng Plastic Pte. Ltd.	Manufacture of plastic bags	Singapore	100	100	57,050	57,050
^ Qian Hu Aquarium and Pets (M) Sdn. Bhd. and its subsidiary:	Trading and distribution of ornamental fish and aquarium and pet accessories	Malaysia	100	100	171,951	171,951
^ Qian Hu The Pet Family (M) Sdn. Bhd.	Trading of ornamental fish and aquarium accessories	Malaysia	100	100	–	–
^ Qian Hu Development Sdn. Bhd.	Investment holding	Malaysia	100	100	16,000	16,000
				Balance carried forward	245,001	245,001

8 Subsidiaries (continued)

Name of subsidiaries	Principal activities	Country of incorporation and business	Ownership interest 2019 %	Ownership interest 2018 %	Cost of investment by the Company 2019 $	Cost of investment by the Company 2018 $
		Balance brought forward			245,001	245,001
^ Beijing Qian Hu Aquarium and Pets Co., Ltd	Distribution of aquarium and pet accessories	People's Republic of China	100	100	171,824	171,824
^ Guangzhou Qian Hu OF Feed Co., Ltd	Manufacture of fish feed	People's Republic of China	100	100	126,170	126,170
^ Guangzhou Qian Hu Aquarium and Pets Co., Ltd	Distribution of aquarium and pet accessories	People's Republic of China	100	100	69,000	69,000
^ Qian Hu Aquaculture (Hainan) Co., Ltd	Farming of edible fish	People's Republic of China	100	100	1,240,393	1,240,393
^ Tian Tian Fisheries (Hainan) Co., Ltd	Farming of edible fish	People's Republic of China	60	60	377,683	377,683
^ Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd	Manufacture of aquarium and pet accessories	People's Republic of China	100	–	13,668	–
^ Qian Hu Marketing Co Ltd	Distribution of aquarium and pet accessories	Thailand	74♦	74♦	148,262	148,262
^ Thai Qian Hu Company Limited and its subsidiary:	Trading of ornamental fish	Thailand	60	60	121,554	121,554
^ Advance Aquatic Co., Ltd	Trading of ornamental fish	Thailand	60	60	–	–
^ NNTL (Thailand) Limited	Investment holding	Thailand	49@	49@	30,999	30,999
^ P.T. Qian Hu Joe Aquatic Indonesia	Trading of ornamental fish	Indonesia	97.25	97.25	1,357,516	1,357,516
					3,902,070	3,888,402

Financial

8 Subsidiaries (continued)

KPMG LLP Singapore is the auditor of the Singapore-incorporated subsidiary.

* *Audited by KPMG LLP Singapore.*

^ *Audited by other certified public accountants. These subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual. For this purpose, a subsidiary is considered significant if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.*

♦ *This represents the Group's effective interest in Qian Hu Marketing Co Ltd. The Company holds a 49% direct interest in Qian Hu Marketing Co Ltd and the remaining effective interest of 25% is held through a subsidiary, NNTL (Thailand) Limited.*

@ *NNTL (Thailand) Limited is considered a subsidiary of the Company as the Company has voting control at general meetings and board meetings of NNTL (Thailand) Limited.*

During the financial year, the Company acquired 100% interest in Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (see note 28).

In the previous financial year, the Company capitalised the outstanding loan amount of approximately $1.0 million due from P.T. Qian Hu Joe Aquatic Indonesia, which resulted in increase in the Company's effective interest held in the subsidiary. The Company also acquired an additional 49% interest in Qian Hu Aquaculture (Hainan) Co., Ltd.

There are no subsidiaries that have NCI that are material to the Group.

9 Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Trade receivables	16,695,231	25,757,818	8,894,395	19,149,000
Loss allowance	(937,990)	(1,483,905)	(591,000)	(1,096,967)
Net receivables	15,757,241	24,273,913	8,303,395	18,052,033
Deposits	336,471	342,966	61,181	56,697
Tax recoverable	83,281	70,337	–	–
Other receivables	1,094,759	2,837,811	602,245	2,658,258
Amounts due from subsidiaries				
- trade	–	–	15,580,094	6,825,763
- non-trade	–	–	3,042,778	1,857,548
Amortised cost	17,271,752	27,525,027	27,589,693	29,450,299
Deposits for purchase of property, plant and equipment	–	222,666	–	–
Prepayments	902,808	933,785	218,132	165,003
Advances to suppliers	521,357	304,498	356,703	254,825
	18,695,917	28,985,976	28,164,528	29,870,127
Non-current	–	8,998,265	–	8,998,265
Current	18,695,917	19,987,711	28,164,528	20,871,862
	18,695,917	28,985,976	28,164,528	29,870,127

Outstanding non-trade balances with subsidiaries are unsecured, interest-free and are repayable on demand. There is no loss allowance arising from the outstanding balances as the ECL is not material.

9 Trade and other receivables (continued)

Receivables denominated in currencies other than the Company's functional currency comprise:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
US Dollar	3,289,658	3,679,816	2,362,753	2,773,966
Euro	171,818	302,640	107,348	263,474
Malaysian Ringgit	1,173,686	1,355,341	–	–
Thai Baht	1,170,569	938,021	–	–
Chinese Renminbi	2,234,076	1,706,410	206,362	1,168,934
Indonesian Rupiah	17,746	51,791	–	–

Included in trade and other receivables of the Company as at 31 December 2019 is an amount of approximately $10.3 million (2018: $10.0 million) owing by GZQH, a newly acquired wholly-owned subsidiary of the Group as at year-end, which is repayable on demand. These include trade receivables of S$9.1 million (2018: $8.7 million) and non-trade receivables of $1.2 million (2018: $1.3 million), of which the recoverability of $7.2 million (2018: $7.3 million) is guaranteed by a major shareholder and a director of the Company as disclosed in Note 24. Management is of the view that these amounts are not impaired as GZQH will be able to repay the debts from its operating or other cash flows and the amounts are substantially guaranteed as stated above.

Except for the abovementioned, concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. Many of these customers are internationally dispersed, engage in a wide spectrum of distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

10 Inventories

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Fish	2,373,826	3,191,811	1,363,174	1,861,894
Accessories	14,931,628	11,748,491	4,229,612	4,784,332
Raw materials – plastic products	267,247	308,458	–	–
Finished goods – plastic products	672,299	614,903	–	–
	18,245,000	15,863,663	5,592,786	6,646,226

11 Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Cash and bank balances	11,689,132	10,808,138	6,822,806	4,990,209
Short-term deposits	2,095,252	683,275	678,357	683,275
Cash and cash equivalents	13,784,384	11,491,413	7,501,163	5,673,484

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

Short-term deposits bear average effective interest rates of 1.71% to 3.55% (2018: 2.01%) per annum.

Notes to the Financial Statements (Cont'd)

11 Cash and cash equivalents (continued)

Cash and cash equivalents denominated in foreign currencies other than the Company's functional currency comprise:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
US Dollar	2,639,674	2,513,458	2,126,364	2,016,493
Euro	320,619	230,397	59,865	8,421
Malaysian Ringgit	1,983,080	2,062,143	–	–
Thai Baht	1,000,652	669,178	–	–
Chinese Renminbi	1,035,041	1,190,225	19,364	115,533
Indonesian Rupiah	44,560	32,485	–	–

12 Share capital

	Group and Company			
	2019	2019	2018	2018
	$	No. of shares	$	No. of shares
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	30,772,788	113,526,467	30,772,788	113,526,467

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding NCI. The Board of Directors also monitors the level of dividends to ordinary equity holders. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

12 Share capital (continued)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Net debt	13,516,190	17,112,502	15,215,110	18,514,477
Total equity	51,887,338	50,807,599	39,961,373	40,041,552
Total capital	65,403,528	67,920,101	55,176,483	58,556,029
Gearing ratio	0.21	0.25	0.28	0.32

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2018 and 2019. There were no changes in the Group's approach to capital management during the financial year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

13 Reserves

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Retained earnings	18,247,151	17,554,359	9,126,880	9,240,792
Translation reserve	373,992	133,976	61,705	27,972
	18,621,143	17,688,335	9,188,585	9,268,764

The translation reserve of the Group and the Company comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company and the translation of monetary items which form part of the Group's net investment in the foreign operations, provided certain conditions are met.

14 Loans and borrowings

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

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

14 Loans and borrowings (continued)

The weighted average effective interest rates relating to the bills payable to banks, at the reporting date for the Group and the Company are 5.03% (2018: 5.22%) and 5.25% (2018: 5.25%) per annum respectively. These bills mature within 1 to 4 months from the reporting date.

Finance lease liabilities

At 31 December 2018, the Group and the Company had obligations under finance leases that are payable as follows:

	Principal $	Interest $	Payments $
Group			
Repayable within 1 year	223,239	25,322	248,561
Repayable after 1 year but within 5 years	215,515	24,950	240,465
	438,754	50,272	489,026
Company			
Repayable within 1 year	135,731	14,533	150,264
Repayable after 1 year but within 5 years	148,246	16,618	164,864
	283,977	31,151	315,128

Lease terms range from 1 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rates implicit in the Group's and the Company's finance lease obligations are 5.60% and 5.82% respectively.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

		Cash flows			
	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 1 to 5 years $	More than 5 years $
Group					
2019					
Bills payable to banks	184,712	194,003	194,003	–	–
Singapore dollar short-term loans	15,000,000	15,424,500	15,424,500	–	–
Lease liabilities	2,623,056	2,750,220	1,197,590	1,529,856	22,774
Trade and other payables*	9,096,906	9,096,906	9,096,906	–	–
	26,904,674	27,465,629	25,912,999	1,529,856	22,774
2018					
Bills payable to banks	407,351	428,615	428,615	–	–
Singapore dollar short-term loans	16,700,000	17,161,755	17,161,755	–	–
Finance lease liabilities	438,754	489,026	248,561	240,465	–
Trade and other payables*	10,781,459	10,781,459	10,781,459	–	–
	28,327,564	28,860,855	28,620,390	240,465	–

14 Loans and borrowings (continued)

	Carrying amount $	Cash flows: Contractual cash flows $	Within 1 year $	Within 1 to 5 years $	More than 5 years $
Company					
2019					
Bills payable to banks	106,616	112,213	112,213	–	–
Singapore dollar short-term loans	15,000,000	15,424,500	15,424,500	–	–
Lease liabilities	409,996	440,407	218,598	221,809	–
Trade and other payables*	7,021,414	7,021,414	7,021,414	–	–
	22,538,026	22,998,534	22,776,725	221,809	–
2018					
Bills payable to banks	370,630	390,088	390,088	–	–
Singapore dollar short-term loans	16,700,000	17,161,755	17,161,755	–	–
Finance lease liabilities	283,977	315,127	150,264	164,863	–
Trade and other payables*	6,592,339	6,592,339	6,592,339	–	–
	23,946,946	24,459,309	24,294,446	164,863	–

* *Excludes advance received from customers.*

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Other loans and borrowings $	Lease liabilities Restated $	Accrued interest payable (Note 16) $	Total $
Group				
Balance at 1 January 2018	15,831,236	453,678	9,259	16,294,173
Changes from financing cash flows				
Drawdown of bank term loans	2,200,000	–	–	2,200,000
Interest paid	–	–	(504,015)	(504,015)
Repayment of finance lease liabilities	–	(249,085)	–	(249,085)
Repayment of bank term loans	(567,520)	–	–	(567,520)
Total changes from financing cash flows	1,632,480	(249,085)	(504,015)	879,380
The effect of changes in foreign exchange rates	1,212	1,438	–	2,650
Other changes				
New finance leases	–	232,723	–	232,723
Interest expense	–	–	513,294	513,294
Bills payable to banks (net)	(357,577)	–	–	(357,577)
Total other changes	(357,577)	232,723	513,294	388,440
Balance at 31 December 2018	17,107,351	438,754	18,538	17,564,643

14 Loans and borrowings (continued)

	Other loans and borrowings $	Lease liabilities Restated $	Accrued interest payable (Note 16) $	Total $
At 1 January 2019	17,107,351	438,754	18,538	17,564,643
Initial adoption of SFRS(I) 16	–	1,163,178	–	1,163,178
Restated balance at 1 January 2019	17,107,351	1,601,932	18,538	18,727,821
Changes from financing cash flows				
Interest paid	–	(64,563)	(521,674)	(586,237)
Repayment of lease liabilities	–	(948,410)	–	(948,410)
Repayment of bank term loans	(1,700,000)	–	–	(1,700,000)
Total changes from financing cash flows	(1,700,000)	(1,012,973)	(521,674)	(3,234,647)
The effect of changes in foreign exchange rates	–	(2,263)	–	(2,263)
Other changes				
New leases	–	1,129,088	–	1,129,088
Acquisition via business combination	–	842,709	–	842,709
Interest expense	–	64,563	521,322	585,885
Bills payable to banks (net)	(222,639)	–	–	(222,639)
Total other changes	(222,639)	2,036,360	521,322	2,335,043
Balance at 31 December 2019	15,184,712	2,623,056	18,186	17,825,954

15 Deferred tax liabilities

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Property, plant and equipment and biological assets	70,595	45,595	–	–

Movement in deferred tax liabilities

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
At 1 January	45,595	57,390	–	–
Recognised in profit or loss	25,000	(11,712)	–	–
Translation differences on consolidation	–	(83)	–	–
At 31 December	70,595	45,595	–	–

15 Deferred tax liabilities (continued)

Unrecognised deferred tax assets

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Deductible temporary differences	1,968,145	2,233,915	1,966,273	2,182,627
Tax losses	6,534,072	6,534,072	6,534,072	6,534,072
	8,502,217	8,767,987	8,500,345	8,716,699

Deferred tax assets have not been recognised in respect of tax losses for certain subsidiaries because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

16 Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Trade payables	4,847,370	7,177,536	2,042,827	3,029,951
Accrued operating expenses	587,037	421,261	420,587	304,396
Accrued interest payable	18,186	18,538	18,186	18,538
Other payables	1,495,611	1,681,913	1,112,018	1,149,306
Accrued staff costs	2,148,702	1,482,211	1,773,684	1,054,961
Advance received from customers	395,900	276,351	178,247	241,015
Amounts due to subsidiaries				
- trade	–	–	408,948	249,541
- non-trade	–	–	1,245,164	785,646
	9,492,806	11,057,810	7,199,661	6,833,354

Other payables are interest-free and have an average term of three months. The non-trade amounts due to subsidiaries are unsecured, interest-free and are repayable on demand.

Payables denominated in currencies other than the Company's functional currency comprise:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
US Dollar	403,340	814,433	210,047	621,806
Euro	499	52,250	499	52,250
Malaysian Ringgit	327,648	350,879	4,948	1,014
Thai Baht	192,162	666,898	–	478,590
Chinese Renminbi	1,423,008	2,354,691	591,269	806,532
Australian Dollar	31,635	210,587	31,635	210,587
Hong Kong Dollar	–	46,720	–	46,720
New Taiwan Dollar	127,368	81,071	107,567	81,071
Indonesian Rupiah	18,953	33,977	–	–

17 Revenue

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Sale of goods				
- fish	29,846,678	34,614,634	17,676,367	22,652,372
- accessories	35,478,452	39,094,718	19,861,216	22,786,558
- plastics	11,589,810	11,957,712	–	–
	76,914,940	85,667,064	37,537,583	45,438,930

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sale of fish

Nature of goods or services	Fish farming, breeding, distribution and trading of ornamental and edible fish
When revenue is recognised	Point of sale
Significant payment terms	30 days from invoice date

Sale of accessories

Nature of goods or services	Manufacturing and distribution of aquarium and pets accessories
When revenue is recognised	Point of sale
Significant payment terms	30 days from invoice date

Sale of plastics

Nature of goods or services	Manufacturing and distribution of plastic bags
When revenue is recognised	Point of sale
Significant payment terms	30 days from invoice date

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is 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 25).

	Fish 2019 $	Fish 2018 $	Accessories 2019 $	Accessories 2018 $	Plastics 2019 $	Plastics 2018 $	Total 2019 $	Total 2018 $
Primary geographical markets								
Singapore	4,791,191	4,729,760	9,237,128	9,046,525	11,161,774	11,534,994	25,190,093	25,311,279
Other Asian countries	14,778,312	19,742,246	21,429,610	23,936,724	226,888	244,082	36,434,810	43,923,052
Europe	6,284,417	6,337,848	1,029,306	1,540,274	126,801	74,320	7,440,524	7,952,442
Others	3,992,758	3,804,780	3,782,408	4,571,195	74,347	104,316	7,849,513	8,480,291
	29,846,678	34,614,634	35,478,452	39,094,718	11,589,810	11,957,712	76,914,940	85,667,064

17 Revenue (continued)

Contract balances

The following table provides information about contract liabilities from contracts with customers.

	2019 $	2018 $
Contract liabilities	(395,900)	(276,351)

The contract liabilities primarily relate to the advance consideration received from customers for sale of fish and accessories.

Significant changes in the contract liabilities balances during the year are as follows.

	2019 $	2018 $
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	276,351	314,043
Increases due to cash received, excluding amounts recognised as revenue during the year	(395,900)	(276,351)

18 Net finance costs

	Group		Company	
	2019 $	2018 $	2019 $	2018 $
Interest income				
- bank deposits	55,746	7,802	16,357	2,720
Interest expense				
- bank loans and overdrafts	(506,125)	(460,758)	(506,125)	(458,726)
- bills payable to banks	(15,197)	(22,374)	(10,661)	(14,435)
- lease liabilities (2018: finance lease liabilities)	(64,563)	(30,162)	(22,751)	(12,839)
	(585,885)	(513,294)	(539,537)	(486,000)
Net finance costs	(530,139)	(505,492)	(523,180)	(483,280)

19 Profit before tax

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

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Allowance for inventory obsolescence	16,500	23,500	16,500	23,500
Auditors' remuneration				
- auditors of the Company	123,000	120,000	107,000	104,000
- other auditors	23,186	17,040	–	–
Non-audit fees				
- other auditors	35,685	21,768	27,960	14,060
Depreciation of				
- property, plant and equipment	2,680,417	1,799,211	942,926	852,113
- biological assets	240,276	226,355	240,276	226,355
Amortisation of intangible assets	148,667	142,000	122,000	122,000
Exchange loss (gain), net	41,262	356,470	(32,438)	299,784
Operating lease expenses	219,486	1,162,696	77,300	263,360
Property, plant and equipment written off	2,084	8,255	2,084	8,255
Staff costs				
- salaries and bonus	12,832,204	12,814,309	8,260,041	8,082,800
- provident fund contributions	907,992	903,842	574,730	573,857
- staff welfare benefits	1,131,236	1,256,319	776,446	703,840
Directors' fees				
- directors of the Company	108,000	108,000	108,000	108,000
Change in fair value less estimated point-of-sale costs of breeder stocks	–	30,000	–	30,000
Other (income) expenses				
- loss (gain) on disposal of property, plant and equipment	7,275	(58,191)	4,211	(1,144)
- loss on disposal of investment property	–	24,801	–	–
- dividend income received from subsidiaries	–	–	(500,000)	(645,700)
- gain on disposal of a subsidiary	–	(65,618)	–	(113,484)
- sundry income	(107,178)	(148,079)	(37,102)	(63,936)
- handling income (net)	(3,532,644)	(1,390,304)	(3,532,644)	(1,390,304)

20 Tax expense

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Tax recognised in profit or loss				
Current tax expense				
Current year	83,828	213,048	–	24,570
Under provision in respect of prior year	6,508	5,936	–	–
	90,336	218,984	–	24,570
Deferred tax expense (credit)				
Origination and reversal of temporary differences	(5,000)	(11,712)	–	–
Under provision in respect of prior year	30,000	–	–	–
	25,000	(11,712)	–	–
Total tax expense	115,336	207,272	–	24,570
Reconciliation of effective tax rate				
Profit before tax	1,059,076	775,750	113,140	225,335
Tax using Singapore tax rate of 17% (2018: 17%)	180,043	131,878	19,234	38,307
Effect of tax rates in foreign jurisdictions	19,921	61,428	–	–
Expenses not deductible for tax purposes	202,018	151,435	100,537	98,530
Income not subject to tax	(54,908)	(56,661)	(84,294)	(129,061)
Change in unrecognised temporary differences	(101,525)	195,723	100,090	128,430
Recognition of tax effect of previously unrecognised tax losses	(73,079)	(259,473)	(71,948)	(116,528)
Withholding tax	–	24,570	–	24,570
Under provision in respect of prior year	36,508	5,936	–	–
Tax incentives	(89,399)	(47,848)	(63,619)	(20,024)
Others	(4,243)	284	–	346
Tax expense	115,336	207,272	–	24,570

Tax recognised in other comprehensive income

There is no tax effect on the translation differences relating to financial statements of foreign operations in other comprehensive income.

21 Directors' remuneration

Company's directors receiving remuneration from the Group:

	Group Number of directors	
	2019	2018
Remuneration of:		
$500,000 and above	–	–
$250,000 to $499,999	3	4
Below $250,000	4	4
	7	8

Names of director	Salary $	Bonus $	Directors' fees $	Total $
Group				
2019				
Kenny Yap Kim Lee	306,240	28,665	–	334,905
Alvin Yap Ah Seng	276,240	25,740	–	301,980
Lai Chin Yee	276,240	25,740	–	301,980
Tan Tow Ee	–	–	30,000	30,000
Chang Weng Leong	–	–	26,000	26,000
Sharon Yeoh Kar Choo	–	–	26,000	26,000
Ling Kai Huat	–	–	26,000	26,000
Total	858,720	80,145	108,000	1,046,865
2018				
Kenny Yap Kim Lee	306,240	–	–	306,240
Alvin Yap Ah Seng	276,240	–	–	276,240
Andy Yap Ah Siong	276,240	–	–	276,240
Lai Chin Yee	276,240	–	–	276,240
Tan Tow Ee	–	–	30,000	30,000
Chang Weng Leong	–	–	26,000	26,000
Sharon Yeoh Kar Choo	–	–	26,000	26,000
Ling Kai Huat	–	–	26,000	26,000
Total	1,134,960	–	108,000	1,242,960

22 Earnings per share

	Group	
	2019	2018
Profit attributable to equity holders of the Company ($)	919,844	401,791
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	113,526,467	113,526,467
Basic earnings per share (cents)	0.81	0.35

The calculation of basic earnings per share at 31 December was based on profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding.

22 Earnings per share (continued)

The Group has no dilution in its earnings per share at 31 December 2019 and 31 December 2018.

23 Dividends

	Group and Company	
	2019	2018
	$	$
Final dividend paid of 0.2 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2017	–	227,052
Final dividend paid of 0.2 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2018	227,052	–

The directors have proposed a final dividend of $0.003 (2018: $0.002) per ordinary share, one-tier exempt, totalling $340,579 (2018: $227,052) in respect of the financial year ended 31 December 2019. 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 2020.

24 Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the authorities of the entity. The directors are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	Group	
	2019	2018
	$	$
Short-term employee benefits		
- directors of the Company	1,046,865	1,242,960
- other key management personnel	1,670,870	1,328,391
	2,717,735	2,571,351

Other related party transactions

As mentioned in Note 9, trade and other receivables amounting to approximately $7.2 million (2018: $7.3 million) due from GZQH are guaranteed by a major shareholder of the Company and a director of the Company. The Company is charged a guarantee fee of 0.5% per annum during the year for the guarantee from a major shareholder of the Company.

24 Significant related party transactions (continued)

Other related party transactions (continued)

Other than disclosed elsewhere in the financial statements, the transactions with related parties at terms agreed between the parties, are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Sales to subsidiaries	–	–	2,609,863	3,204,858
Purchases from subsidiaries	–	–	2,043,392	1,712,502
Guarantee fee paid to a major shareholder of the Company	30,000	30,000	30,000	30,000
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

25 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products. For each of the strategic business units, the Group's Executive Chairman and Managing Director reviews internal management reports on a monthly basis.

The Group's reportable operating segments are as follows:

(i) Fish – includes fish farming, breeding, distribution and trading of ornamental fish;

(ii) Accessories – includes manufacturing and distribution of aquarium and pet accessories;

(iii) Plastics – includes manufacturing and distribution of plastic bags; and

(iv) Others – includes Corporate Office, and consolidation adjustments which are not directly attributable to a particular business segment above.

The accounting policies of the reportable segments are the same as described in Note 3. Information regarding the results of each reportable segment is included below. Performance is measured based on profit before tax, as included in the internal management reports that are reviewed by the Group's Executive Chairman and Managing Director. Profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Certain financing costs are managed on a group basis and are not allocated to operating segments. Segment assets and liabilities are presented net of inter-segment balances. Inter-segment pricing is determined on mutually agreed terms.

Segment expenditure for non-current assets is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

25 Operating segments (continued)

Information about reportable segments

	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
2019					
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 (Loss) before tax	1,857	1,516	1,135	(3,449)	1,059
Tax expense	(39)	(45)	(25)	(6)	(115)
Profit (Loss) for the year	1,818	1,471	1,110	(3,455)	944
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					
Expenditure for non-current assets	553	312	163	–	1,028
Other non-cash items:					
(Reversal of) Impairment loss on trade receivables	(92)	40	–	–	(52)
Allowance for inventory obsolescence	–	17	–	–	17
(Gain) Loss on disposal of property, plant and equipment	(6)	11	2	–	7
Property, plant and equipment written off	–	2	–	–	2
2018					
Revenue					
External revenue	34,614	39,095	11,958	–	85,667
Inter-segment revenue	2,070	4,425	156	(6,651)	–
Total revenue	36,684	43,520	12,114	(6,651)	85,667
Results					
EBITDA*	2,697	2,343	997	(2,590)	3,447
Depreciation and amortisation	(1,395)	(539)	(233)	–	(2,167)
Interest expense	(14)	(38)	(2)	(459)	(513)
Interest income	5	3	–	–	8
Profit (Loss) before tax	1,293	1,769	762	(3,049)	775
Tax expense	(95)	(112)	–	–	(207)
Profit (Loss) for the year	1,198	1,657	762	(3,049)	568
Assets and liabilities					
Segment assets	35,418	36,150	5,654	2,585	79,807
Segment liabilities	4,207	5,341	2,392	17,059	28,999

Notes to the Financial Statements (Cont'd)

25 Operating segments (continued)

Information about reportable segments (continued)

2018	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
Other segment information					
Expenditure for non-current assets	832	627	445	–	1,904
Other non-cash items:					
Impairment loss on trade receivables	39	57	–	–	96
Allowance for inventory obsolescence	–	24	–	–	24
Gain on disposal of property, plant and equipment	(20)	(28)	(10)	–	(58)
Property, plant and equipment written off	–	8	–	–	8
Change in fair value less estimated point-of-sale costs of breeder stocks	30	–	–	–	30

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

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 segment assets are based on the geographical location of the assets.

Geographical Information

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

Major customers

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

26 Financial risk management

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of trade and other receivables.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Impairment losses on financial assets recognised in profit or loss were as follows:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
(Reversal of) Impairment loss on trade receivables	(51,653)	95,766	(25,353)	79,492

Financial

26 Financial risk management (continued)

Trade receivables

Exposure to credit risk

A summary of the Group's and the Company's exposures to credit risk for trade receivables is as follows:

	2019		2018	
	Not credit-impaired $	Credit-impaired $	Not credit-impaired $	Credit-impaired $
Group				
- Four or more years' trading history with the Group*	13,034,733	–	20,911,722	–
- Less than four years' trading history with the Group*	2,722,508	–	3,362,191	–
- Higher risk	937,990	–	1,003,291	480,614
Total gross carrying amount	16,695,231	–	25,277,204	480,614
Loss allowance	(937,990)	–	(1,003,291)	(480,614)
	15,757,241	–	24,273,913	–
Company				
- Four or more years' trading history with the Group*	7,304,791	–	16,762,744	–
- Less than four years' trading history with the Group*	998,604	–	1,289,289	–
- Higher risk	591,000	–	616,353	480,614
Total gross carrying amount	8,894,395	–	18,668,386	480,614
Loss allowance	(591,000)	–	(616,353)	(480,614)
	8,303,395	–	18,052,033	–

* *Excluding 'higher risk'.*

Expected credit loss assessment for customers

The Group uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise a very large number of small balances.

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

26 Financial risk management (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables for customers:

	Weighted average loss rate %	Gross carrying amount $	Impairment loss allowance $	Credit impaired
Group				
2019				
Current (not past due)	0.00	6,038,217	–	No
Past due 1 – 30 days	0.00	3,261,388	–	No
Past due 31 – 60 days	0.00	1,871,209	–	No
Past due 61 – 90 days	0.00	649,314	–	No
Past due more than 90 days	19.24	4,875,103	937,990	No
		16,695,231	937,990	
2018				
Current (not past due)	0.00	13,462,578	–	No
Past due 1 – 30 days	0.00	3,539,074	–	No
Past due 31 – 60 days	0.00	1,575,588	–	No
Past due 61 – 90 days	0.00	690,950	–	No
Past due more than 90 days	22.87	6,489,628	1,483,905	Yes
		25,757,818	1,483,905	
Company				
2019				
Current (not past due)	0.00	3,276,979	–	No
Past due 1 – 30 days	0.00	1,286,868	–	No
Past due 31 – 60 days	0.00	1,211,693	–	No
Past due 61 – 90 days	0.00	396,510	–	No
Past due more than 90 days	21.71	2,722,345	591,000	No
		8,894,395	591,000	
2018				
Current (not past due)	0.00	11,066,035	–	No
Past due 1 – 30 days	0.00	1,747,131	–	No
Past due 31 – 60 days	0.00	878,810	–	No
Past due 61 – 90 days	0.00	382,161	–	No
Past due more than 90 days	21.62	5,074,863	1,096,967	Yes
		19,149,000	1,096,967	

26 Financial risk management (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Lifetime ECL	
	Group	Company
	$	$
At 1 January 2018 per FRS 39	2,352,700	2,157,007
Adjustment on initial application on SFRS(I) 9	788,000	401,000
At 1 January 2018 per SFRS(I) 9	3,140,700	2,558,007
Impairment loss recognised	95,766	79,492
Amounts written off against impairment loss made	(1,694,613)	(1,540,532)
Disposal of subsidiary	(62,000)	–
Translation differences on consolidation	4,052	–
At 31 December 2018 per SFRS(I) 9	1,483,905	1,096,967
At 1 January 2019	1,483,905	1,096,967
Reversal of impairment loss	(51,653)	(25,353)
Amounts written off against impairment loss made	(504,852)	(480,614)
Translation differences on consolidation	10,590	–
At 31 December 2019	937,990	591,000

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $3,042,778 (2018: $1,857,548). These balances are amounts lent to subsidiaries to satisfy short term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for other receivables. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

Cash and cash equivalents

The Group and Company held cash and cash equivalents of $13,784,384 and $7,501,163 at 31 December 2019 (2018: $11,491,413 and $5,673,484). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Baa1 to Aa1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

26 Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily the United States Dollar (US Dollar), Euro, Malaysian Ringgit, Thai Baht and Chinese Renminbi.

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

Sensitivity analysis

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would increase (decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group $	Company $
31 December 2019		
US Dollar	(552,599)	(427,907)
Euro	(49,194)	(16,671)
Malaysian Ringgit	(282,912)	495
Thai Baht	(197,906)	–
Chinese Renminbi	(184,611)	36,554
Australian Dollar	3,163	3,163
New Taiwan Dollar	12,737	10,757
Indonesian Rupiah	(4,335)	–
31 December 2018		
US Dollar	(537,884)	(416,865)
Euro	(48,079)	(21,965)
Malaysian Ringgit	(306,661)	101
Thai Baht	(94,030)	47,859
Chinese Renminbi	(54,194)	(47,794)
Australian Dollar	21,059	21,059
Hong Kong Dollar	4,672	4,672
New Taiwan Dollar	8,107	8,107
Indonesian Rupiah	(5,030)	–

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

26 Financial risk management (continued)

Business risk

The main risk arising from the Group's livestock is business risk. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good healthcare management and hygiene for its livestock. Currently, all its domestic and overseas fish operations have attained ISO 9001: 2008 certification.

Interest rate risk

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group obtains additional financing through bank borrowings and finance lease arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The following table sets out the carrying amounts as at 31 December, by maturity or repricing, whichever is earlier, of the financial instruments of the Group and the Company that are exposed to interest rate risk:

	Within 1 year $	1 to 5 years $	More than 5 years $	Total $
Group				
2019				
Financial liabilities				
Fixed rate				
Bills payable to banks	184,712	–	–	184,712
Lease liabilities	1,122,637	1,478,011	22,408	2,623,056
	1,307,349	1,478,011	22,408	2,807,768
Floating rate				
Bank term loans	15,000,000	–	–	15,000,000
2018				
Financial liabilities				
Fixed rate				
Bills payable to banks	407,351	–	–	407,351
Finance lease liabilities	223,239	215,515	–	438,754
	630,590	215,515	–	846,105
Floating rate				
Bank term loans	16,700,000	–	–	16,700,000
Company				
2019				
Financial liabilities				
Fixed rate				
Bills payable to banks	106,616	–	–	106,616
Lease liabilities	200,683	209,313	–	409,996
	307,299	209,313	–	516,612

26 Financial risk management (continued)

	Within 1 year $	1 to 5 years $	Total $
Company			
2019			
Floating rate			
Bank term loans	15,000,000	–	15,000,000
2018			
Financial liabilities			
Fixed rate			
Bills payable to banks	370,630	–	370,630
Finance lease liabilities	135,731	148,246	283,977
	506,361	148,246	654,607
Floating rate			
Bank term loans	16,700,000	–	16,700,000

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

For the variable rate financial assets and liabilities, a change of 100 basis point (bp) in interest rate at the reporting date would increase (decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp Increase $	100 bp Decrease $
Group		
31 December 2019		
Floating rate instruments	(150,000)	150,000
31 December 2018		
Floating rate instruments	(167,000)	167,000
Company		
31 December 2019		
Floating rate instruments	(150,000)	150,000
31 December 2018		
Floating rate instruments	(167,000)	167,000

26 Financial risk management (continued)

Intra-group financial guarantees

The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries or related parties.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The intra-group financial guarantees are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to approximately $1.7 million (2018: $1.7 million).

Accounting classifications 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.

Group	Amortised cost $	Other financial liabilities $	Total carrying amount $
2019			
Financial assets			
Trade and other receivables #	17,271,752	–	17,271,752
Cash and cash equivalents	13,784,384	–	13,784,384
	31,056,136	–	31,056,136
Financial liabilities			
Lease liabilities	–	(2,623,056)	(2,623,056)
Bank term loans	–	(15,000,000)	(15,000,000)
Bills payable to banks	–	(184,712)	(184,712)
Trade and other payables*	–	(9,096,906)	(9,096,906)
	–	(26,904,674)	(26,904,674)
2018			
Financial assets			
Trade and other receivables #	27,525,027	–	27,525,027
Cash and cash equivalents	11,491,413	–	11,491,413
	39,016,440	–	39,016,440
Financial liabilities			
Finance lease liabilities	–	(438,754)	(438,754)
Bank term loans	–	(16,700,000)	(16,700,000)
Bills payable to banks	–	(407,351)	(407,351)
Trade and other payables*	–	(10,781,459)	(10,781,459)
	–	(28,327,564)	(28,327,564)

26 Financial risk management (continued)

Company	Amortised cost $	Other financial liabilities $	Total carrying amount $
2019			
Financial assets			
Trade and other receivables #	27,589,693	–	27,589,693
Cash and cash equivalents	7,501,163	–	7,501,163
	35,090,856	–	35,090,856
Financial liabilities			
Lease liabilities	–	(409,996)	(409,996)
Bank term loans	–	(15,000,000)	(15,000,000)
Bills payable to banks	–	(106,616)	(106,616)
Trade and other payables*	–	(7,021,414)	(7,021,414)
	–	(22,538,026)	(22,538,026)
2018			
Financial assets			
Trade and other receivables #	29,450,299	–	29,450,299
Cash and cash equivalents	5,673,484	–	5,673,484
	35,123,783	–	35,123,783
Financial liabilities			
Finance lease liabilities	–	(283,977)	(283,977)
Bank term loans	–	(16,700,000)	(16,700,000)
Bills payable to banks	–	(370,630)	(370,630)
Trade and other payables*	–	(6,592,339)	(6,592,339)
	–	(23,946,946)	(23,946,946)

Excludes prepayments, advances to suppliers and deposits for purchase of property, plant and equipment.

* *Excludes advance received from customers.*

27 Measurement of fair values

A number of 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. When applicable, further information about the assumption made in determining fair value is disclosed in the notes specific to that asset or liability.

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. The carrying amounts of the term loans also approximate fair value as it is subject to floating interest rates which in turn approximate the current market interest rate for similar loan at reporting date.

Notes to the Financial Statements (Cont'd)

27 Measurement of fair values (continued)

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 offsprings 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.

Fair value hierarchy

The table below analyses recurring non-financial assets carried at fair value. The different levels are 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 December 2019				
Breeder stocks	–	–	119,730	119,730
31 December 2018				
Breeder stocks	–	–	121,260	121,260

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

The following table shows the key unobservable inputs used in the valuation models:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Biological assets		
Breeder stocks	• Premiums on quality, estimated based on colour and size • Estimated future breeder market price	As the estimated fair value increases, the higher is the estimated selling price and premium of breeder.

Valuation processes applied by the Group

The assessment of fair value of breeder stocks is performed by the Group's finance department and operations team on a quarterly basis. The finance department reports to the Group's Finance Director (FD).

28 Acquisition/Disposal of subsidiary

During the current financial year, the Group acquired a wholly owned subsidiary, GZQH from a third party. The attributable assets and liabilities of the subsidiary acquired and the cash flows relating to the acquisition are set out as follows: -

	Note	2019 $
Property, plant and equipment	4	1,157,541
Inventories		3,869,955
Trade and other receivables		2,735,872
Cash and cash equivalents		151,474
Trade and other payables		(11,104,895)
Lease liabilities		(842,709)
Net liabilities acquired		(4,032,762)
Goodwill on acquisition	7	4,046,430
Total consideration paid		13,668

Net cash inflow arising from acquisition of subsidiary:

	2019 $
Purchase consideration settled in cash and cash equivalents	(13,668)
Cash and cash equivalents acquired	151,474
	137,806

GZQH contributed revenue of $575,002 and net loss after tax of $18,888 for the period from 1 December 2019 to 31 December 2019.

The fair value of consideration transferred and identifiable assets and liabilities assumed have been determined provisionally.

If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

28 Acquisition/Disposal of subsidiary (continued)

During the previous financial year, the Group disposed of a wholly owned subsidiary, Shanghai Qian Hu Aquarium and Pets Co., Ltd, to a third party. The attributable assets and liabilities of the subsidiary disposed and the cash flows relating to the disposal are set out as follows:

	2018 $
Property, plant and equipment	36,895
Inventories	1,054,441
Trade and other receivables	728,445
Cash and cash equivalents	419,219
Trade and other payables	(1,104,618)
Net assets disposed	1,134,382
Gain on disposal of a subsidiary	65,618
Total consideration	1,200,000
Less:	
Cash and cash equivalents on disposal of subsidiary	(419,219)
Deferred cash settlement	(1,080,000)
Net cash outflow on disposal of subsidiary	(299,219)

Shanghai Qian Hu Aquarium and Pets Co., Ltd, contributed a net loss after tax of $2,835 for the period from 1 January 2018 to 30 September 2018.

29 Leases

Leases as lessee (SFRS(I) 16)

The Group leases offices, warehouses, factories, retail spaces, farm facilities, office equipment and motor vehicles. The leases typically run for a period of three to five years, with an option to renew the lease after that date. Lease payments are renegotiated upon renewal to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under SFRS(I) 1-17.

The Group leases motor vehicles under a number of leases, which were classified as finance leases under SFRS(I) 1-17.

The Group leases IT equipment and certain properties with contract terms of one year. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

29 Leases (continued)

Information about leases for which the Group is a lessee is presented below.

	Leasehold land and buildings $	Furniture, fittings and office equipment $	Total $
Group			
2019			
Initial adoption of SFRS(I) 16 as at 1 January 2019	1,086,593	76,585	1,163,178
Depreciation charge for the year	(741,342)	(24,714)	(766,056)
Additions to right-of-use assets	1,021,213	–	1,021,213
Acquisition via business combination	842,709	–	842,709
Translation difference on consolidation	(5,867)	–	(5,867)
Balance at 31 December	2,203,306	51,871	2,255,177
Company			
2019			
Initial adoption of SFRS(I) 16 as at 1 January 2019	189,362	69,353	258,715
Depreciation charge for the year	(58,265)	(20,941)	(79,206)
Balance at 31 December	131,097	48,412	179,509

Amounts recognised in profit or loss

	$
2019 – Leases under SFRS(I) 16	
Interest on lease liabilities	64,563
Expenses relating to short-term leases	219,486
2018 – Operating leases under SFRS(I) 1-17	
Lease expense	1,162,696

Amounts recognised in statement of cash flows

	2019 $
Total cash outflow for leases	1,012,973

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Statistics of Shareholders

As at 6 February 2020

Class of Shares	:	Ordinary shares
Number of Shares Issued	:	113,526,467
Issued and Fully Paid-Up Capital	:	$30,772,788
Voting Rights	:	On a poll - One vote for each ordinary share
Number of Treasury Shares	:	Nil

Analysis of Shareholders

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	211	8.92	7,652	0.01
100 - 1,000	423	17.89	200,598	0.18
1,001 - 10,000	1,027	43.42	4,758,844	4.19
10,001 - 1,000,000	682	28.84	32,641,526	28.75
1,000,001 and above	22	0.93	75,917,847	66.87
Total	2,365	100.00	113,526,467	100.00

Substantial Shareholders

		Shareholdings registered in the name of the substantial shareholders		Shareholdings held by substantial shareholders in the name of nominees	
Name of Substantial Shareholder		No. of Shares	%	No. of Shares	%
1	Qian Hu Holdings Pte Ltd	27,250,000	24.00	–	–
2	Yap Ah Seng Alvin*	3,951,138	3.48	–	–
3	Yap Ah Siong Andy*	3,925,000	3.46	–	–
4	Yap Kim Choon*	3,925,000	3.46	–	–
5	Yap Kim Lee Kenny*	3,500,000	3.08	–	–
6	Yap Hock Huat*	3,000,000	2.64	–	–
7	Yap Ping Heng*	3,000,000	2.64	–	–
8	Yap Kim Chuan*	1,505,498	1.33	2,419,500	2.13

* *Each has a shareholding of 14.04% in Qian Hu Holdings Pte Ltd ("QHHPL") except for Yap Kim Lee Kenny whose shareholding in QHHPL is 15.76%.*

Twenty Largest Shareholders

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital
1	Qian Hu Holdings Pte Ltd	27,250,000	24.00
2	Yap Ah Seng Alvin	3,951,138	3.48
3	Yap Ah Siong Andy	3,925,000	3.46
4	Yap Kim Choon	3,925,000	3.46
5	Yap Kim Lee Kenny	3,500,000	3.08
6	Yap Hock Huat	3,000,000	2.64
7	Yap Ping Heng	3,000,000	2.64
8	Simon Seah Seow Kee	2,931,550	2.58
9	Ang Hao Yao (Hong Haoyao)	2,696,740	2.37
10	Choo Chee Kiong	2,500,000	2.20
11	Hong Leong Finance Nominees Pte Ltd	2,469,500	2.18
12	Yap Chew Ring	2,424,475	2.14
13	Phillip Securities Pte Ltd	1,833,312	1.61
14	Yap Hey Cha	1,750,000	1.54
15	Ang Kim Sua	1,723,500	1.52
16	Wong Bei Keen	1,527,500	1.35
17	Yap Kim Chuan	1,505,498	1.33
18	Tan Boon Kim	1,330,581	1.17
19	Lim Yew Hoe	1,293,750	1.14
20	Royal Inst of Construction Economists Pte Ltd	1,225,200	1.08
	Total	73,762,744	64.97

Shareholding Held in the Hands of Public

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 44.46% of the issued share capital of the Company was held in the hands of the public as at 6 February 2020. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Thursday, 26 March 2020 at 11.00 a.m. to transact the following business:-

Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019 and the Auditors' Report thereon. **[Resolution 1]**

2. To declare a final dividend of 0.3 cents Singapore Dollar per ordinary share one-tier tax exempt for the financial year ended 31 December 2019. **[Resolution 2]**

3. To re-elect Mr Yap Kim Lee Kenny, who is retiring by rotation in accordance with Regulation 91 of the Company's Constitution, as Director of the Company. **[Resolution 3]**
   [See Explanatory Note (a)]

4. To re-elect Ms Yeoh Kar Choo Sharon, who is retiring by rotation in accordance with Regulation 91 of the Company's Constitution, as Director of the Company. **[Resolution 4]**
   [See Explanatory Note (b)]

5. To note Mr Chang Weng Leong who is retiring and eligible for re-election in accordance with Regulation 91 of the Company's Constitution, as Director of the Company has decided not to seek re-election.

6. To approve the sum of S$108,000 as Directors' fees for the financial year ended 31 December 2019. (2018: S$108,000) **[Resolution 5]**

7. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**

8. To transact any other business that may be transacted at an Annual General Meeting.

Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modifications:-

9. **General Mandate to authorise the Directors to issue shares or convertible securities**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**"), the Constitution and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:-

   (a) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements, or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force):

   (i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the Directors while this Resolution was in force; and

Notice of Annual General Meeting (Cont'd)

(ii) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force or such additional Instruments in (b)(i) above,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below); and

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holding, if any) at the time of the passing of this Resolution, after adjusting for:-

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (c)] **[Resolution 7]**

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
26 February 2020

Explanatory Notes:

(a) Pursuant to Rule 720(6) of the SGX-ST Listing Manual, further information on Mr Yap Kim Lee Kenny is set out on pages 179 to 182 of the Company's Annual Report.

(b) Ms Yeoh Kar Choo Sharon, if re-elected, will remain as a member of the Company's Audit Committee and Remuneration Committee and will also continue to remain as the Chairman of the Nominating Committee. Ms Yeoh Kar Choo Sharon will be considered as an Independent Director of the Company. Pursuant to Rule 720(6) of the SGX-ST Listing Manual, further information on Ms Yeoh Kar Choon Sharon is set out on pages 179 to 182 of the Company's Annual Report.

(c) The ordinary resolution 7, under item 9 above, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company, of which the aggregate number issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 10% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company, as more particularly set out in the resolution.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
   (c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902, not less than 72 hours before the time set for the Annual General Meeting.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

Notice of Annual General Meeting (Cont'd)

Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 9 April 2020 for the preparation of dividend warrants.

Duly completed registrable transfers of ordinary shares of the Company received by the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 8 April 2020 will be registered to determine shareholders' entitlements to the proposed dividend.

Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 8 April 2020 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Twenty-First Annual General Meeting to be held on 26 March 2020, will be paid on 23 April 2020.

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
26 February 2020

Dear Shareholders

We realise that you may not be able to attend our forthcoming Annual General Meeting ("**AGM**") for some reason or other. As in the previous years, we have set up several channels to communicate with our investors and shareholders. All because we deeply value your feedback and input.

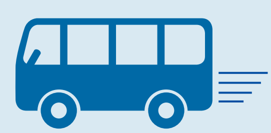
You may now channel your questions and feedback to us via the following methods:

- **By sending us an email through investor@qianhu.com or feedback@qianhu.com**
- **By faxing us your feedback through 6766 3995**

We will look into all your questions and feedback and answer them during the AGM, provided that they reach us before 26 March 2020. A copy of the minutes of the AGM will be posted both on our website and on the SGX website.

Kenny Yap Kim Lee
Executive Chairman
and Managing Director
Qian Hu Corporation Limited

FREE SHUTTLE SERVICE



To facilitate your attendance at our AGM on **26 March 2020**, at **No. 71 Jalan Lekar, Singapore 698950 at 11.00 a.m.**, transport arrangements have been made available for you.

We have chartered a bus to ferry you from the **bus stop in front of Keat Hong Community Club (opposite Lot One Shoppers' Mall)** to our meeting venue.

Please proceed to the **above bus stop (bus stop number - 44531)**. The bus will leave at **10.40 a.m. sharp**.

Transport will also be provided back to the same bus stop after the meeting.

Supplemental Information on Directors Seeking Re-Election

at the 21st Annual General Meeting

[Pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1.]

Name of director	Mr Kenny Yap Kim Lee	Ms Sharon Yeoh Kar Choo
Date of Appointment	12 December 1998	17 September 2011
Date of last re-appointment	28 March 2018	22 March 2017
Age	54	61
Country of principal residence	Republic of Singapore	Republic of Singapore
Job Title	• Executive Chairman and Managing Director • Member of the Risk Management Committee	• Non-Executive Independent Director • Chairperson of the Nominating Committee • Member of the Audit Committee • Member of the Remuneration Committee
The Board's comments on the re-appointment	As one of the co-founders of Qian Hu, Mr Yap has in-depth institutional knowledge and business experience on the Group's operations. His leadership will continue to enhance Board deliberations and set the direction of growth for the Group. The Nominating Committee and Board recommend the re-appointment of Mr Yap as an Executive Director of the Company.	Ms Yeoh's extensive knowledge on regulatory issues will provide greater balance and diversity of skills, experience and knowledge that contribute towards the core competencies of the Board. The Nominating Committee and Board recommend the re-appointment of Ms Yeoh as a Non-Executive Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Yap is the Executive Chairman and CEO of Qian Hu Corporation Limited (QHCL) and its subsidiaries (collectively known as the "Group"). His areas of responsibilities include, but not limit to, providing leadership to the Board, making major corporate decisions and managing the overall operations and resources of the Group. He also ensures the effectiveness of communication with all stakeholders.	Non-Executive
Professional qualifications	First Class Honours degree in Business Administration, Ohio State University, USA Fellow – Singapore Institute of Directors	Associate Member – Institute of Chartered Secretaries & Administrators, UK Member – Chartered Secretaries Institute of Singapore Member – Singapore Institute of Directors

Supplemental Information on Directors Seeking Re-Election
at the 21st Annual General Meeting (Cont'd)
[Pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1.]

Name of director	Mr Kenny Yap Kim Lee	Ms Sharon Yeoh Kar Choo
Working experience and occupation(s) during the past 10 years	From December 1998 to present: Executive Chairman and Managing Director of QHCL	From October 2015 to present: Director, Head of Corporate Secretarial of TMF Singapore H Pte. Ltd. From March 2010 to September 2015: Director, Corporate Secretarial of Corporate Alliance Pte. Ltd.
Shareholding interest in the listed issuer and its subsidiaries	3,500,000 of QHCL shares	Nil
Relationship (including immediate family relationship) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	• Substantial shareholder of QHCL • Brother of substantial shareholders of QHCL - Yap Ping Heng, Yap Hock Huat, Yap Kim Choon and Yap Kim Chuan • Cousin of substantial shareholders of QHCL - Alvin Yap Ah Seng (also an Executive Director of QHCL) and Andy Yap Ah Siong	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years):	Director of Shanghai Qian Hu Aquarium and Pets Co., Ltd (disposed in FY 2018)	Nil
Present:	Director of • Qian Hu Corporation Limited (listed on SGX) • Qian Hu Tat Leng Plastic Pte. Ltd. • Qian Hu Aquarium and Pets (M) Sdn. Bhd. • Qian Hu The Pet Family (M) Sdn. Bhd. • Beijing Qian Hu Aquarium and Pets Co., Ltd • Qian Hu Marketing Co Ltd • Thai Qian Hu Company Limited • NNTL (Thailand) Limited • P.T. Qian Hu Joe Aquatic Indonesia	Director of Qian Hu Corporation Limited (listed on SGX)

Information required

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

Name of director	Mr Kenny Yap Kim Lee	Ms Sharon Yeoh Kar Choo
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No	No
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No	No

[Pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1.]

Name of director	Mr Kenny Yap Kim Lee	Ms Sharon Yeoh Kar Choo
(g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he/she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No	No
(j) Whether he/she has ever, to his/her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?		
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

QIAN HU CORPORATION LIMITED

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

PROXY FORM

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "**relevant intermediary**").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We____________________________________NRIC/Passport/Co.Registration No.____________________

of ____

being a member/members of **QIAN HU CORPORATION LIMITED** hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at No. 71 Jalan Lekar, Singapore 698950 on Thursday, 26 March 2020 at 11.00 a.m. and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the AGM. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	For*	Against*	Abstain*
AS ORDINARY BUSINESS				
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019			
2	Payment of proposed final dividend			
3	Re-election of Mr Yap Kim Lee Kenny as director			
4	Re-election of Ms Yeoh Kar Choo Sharon as director			
5	Approval of directors' fees			
6	Re-appointment of KPMG LLP as auditors			
AS SPECIAL BUSINESS				
7	Authority to issue shares			

* *Please indicate your vote "For" or "Against" or "Abstain" with a "✓" within the boxes provided.*

Dated this ____________________ day of ____________________ 2020

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

Total Number of Shares Held

IMPORTANT
PLEASE READ NOTES OVERLEAF

Fold and seal here

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number. If you have shares registered in your name in the Register of Members, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the meeting. Relevant intermediary is either:
   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
   (c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 not less than 72 hours before the time set for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. The dispensation of the use of common seal pursuant to Sections 41A, 41B and 41C of the Companies Act, Chapter 50 of Singapore effective from 31 March 2017 is applicable at this Annual General Meeting.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.
8. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy lodged if the member, being the appointer, is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time set for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 26 February 2020.

Fold and seal here

Affix
Postage
Stamp

M & C SERVICES PRIVATE LIMITED
Share Registrar for
Qian Hu Corporation Limited
112 Robinson Road
#05-01
Singapore 068902
Republic of Singapore

Fold and seal here

QIAN HU CORPORATION LIMITED
COMPANY REGISTRATION NO.: 199806124N

No. 71 Jalan Lekar Singapore 698950 • Tel: (65) 6766 7087 Fax: (65) 6766 3995 • www.qianhu.com