ANNUAL REPORT
2018

Qian Hu
Corporation Limited

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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 number 1 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.

Hydro-Pure

technology

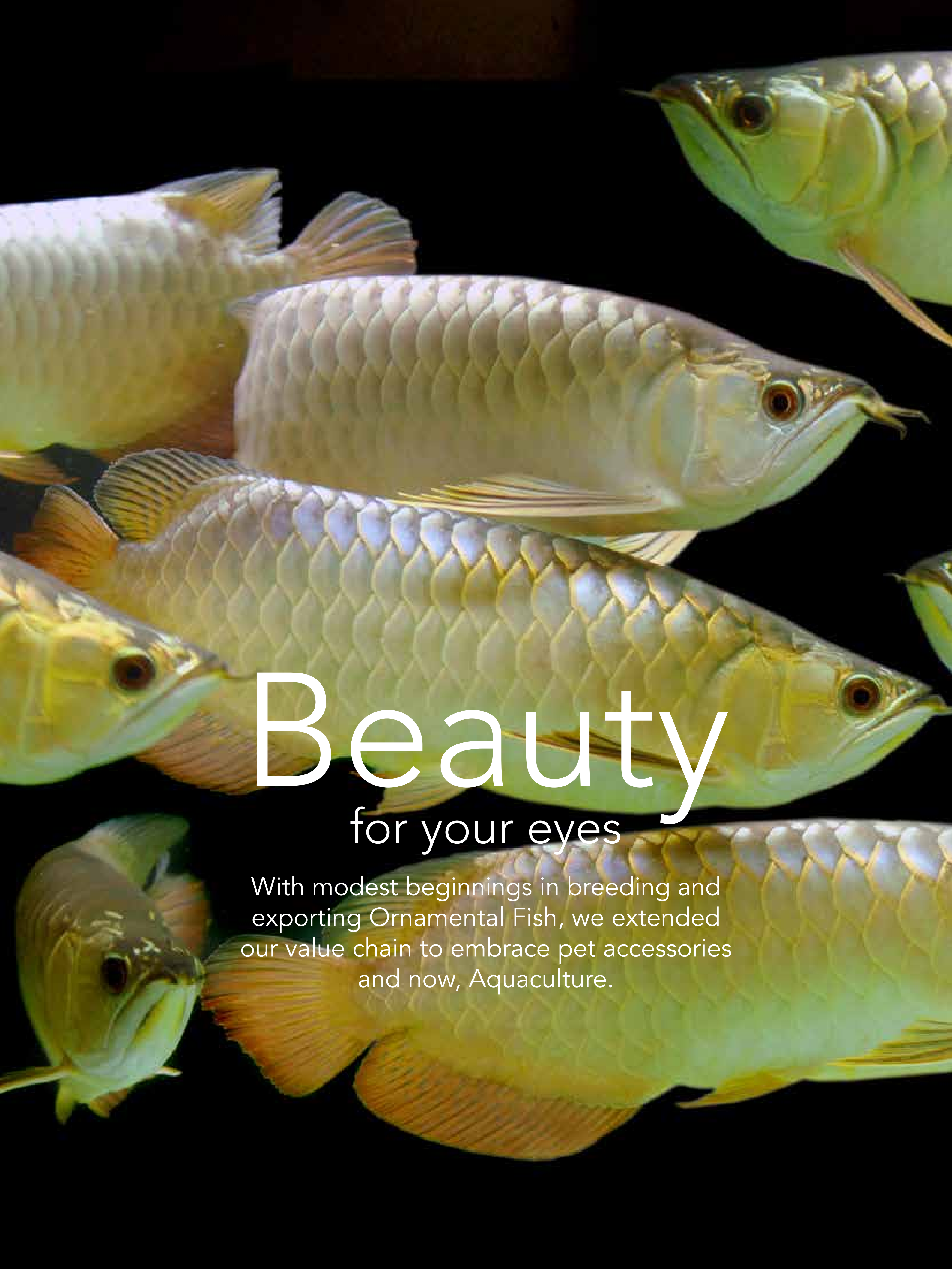
Quality

fish feed

More then

1,000

species



Beauty

for your eyes

With modest beginnings in breeding and exporting Ornamental Fish, we extended our value chain to embrace pet accessories and now, Aquaculture.

Herbal-based fish

medication

Export

Grouper Fries

Pompano

Marbled Goby

Snapper

Shrimp

hatchery

&

Lobster

farming

Food

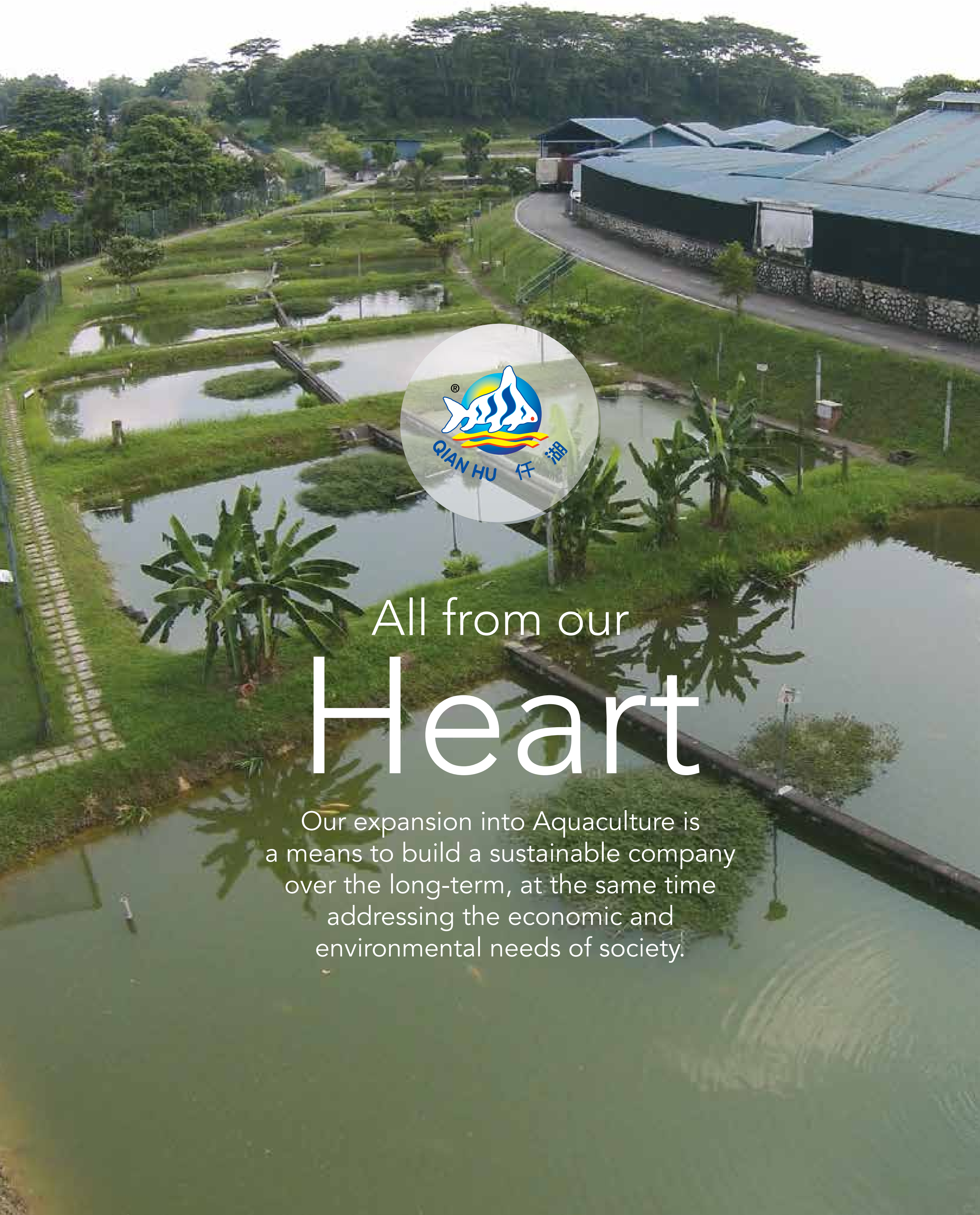
for your pleasure

In Hainan China, we farm grouper and other fingerlings as well as export varieties of fish to South-East Asia. With 'cutting-edge' technology, healthy fish feed and herbal-based medication, we offer a unique value proposition for the edible fish market.

Innovative
technology company

Cutting-edge
R&D

World's No.1
Ornamental Fish exporter



All from our Heart

Our expansion into Aquaculture is a means to build a sustainable company over the long-term, at the same time addressing the economic and environmental needs of society.

About Us

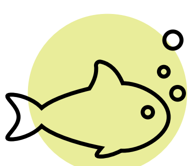
We have been pioneering the integrated ornamental fish business since 1998 with a full spectrum of services.

We distribute a wide number of species and varieties of ornamental and aquarium fish from all over the world, and 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 pioneer project in Wenchang, Hainan Province, China, to 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 from Hainan to South-east Asia, while importing other edible fish and seafood from the rest of the world into China.

Listed on the Mainboard of the Singapore Exchange (SGX) since 2000, Qian Hu has been celebrated over the years for its ongoing commitment towards corporate transparency and governance, investor relations, as well as sustainability reporting.



ORNAMENTAL FISH

- Breeding of 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

ACCESSORIES

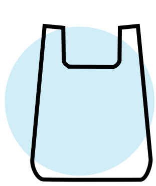
- Manufacture and export of aquarium and pet accessories
- Domestic distribution through hubs in Singapore, Malaysia, China and Thailand

More than **3,000** accessories products

AQUACULTURE

- Differentiated approach to the farming of antibiotic-free edible fish fingerlings 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



PLASTICS

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

37 years' experience in plastics since 1982

STRENGTH

4
key businesses
– ornamental fish, accessories, plastics and aquaculture – offer diverse income streams

Operate across
5
markets and export hubs across the world

Robust distribution network and strong partnerships with distributors across
80
key cities and countries

AWARD-WINNING

53
awards since 2001

Widely recognised for best practices in corporate transparency and governance

Garnered awards in Singapore Quality Awards, Best Managed Board, Most Transparent Company, Chief Financial Officer of the Year, Best Investor Relations and Best Annual Report categories

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 to our stakeholders

LEGACY

Incorporated in 1998
Listed in Singapore since
2000

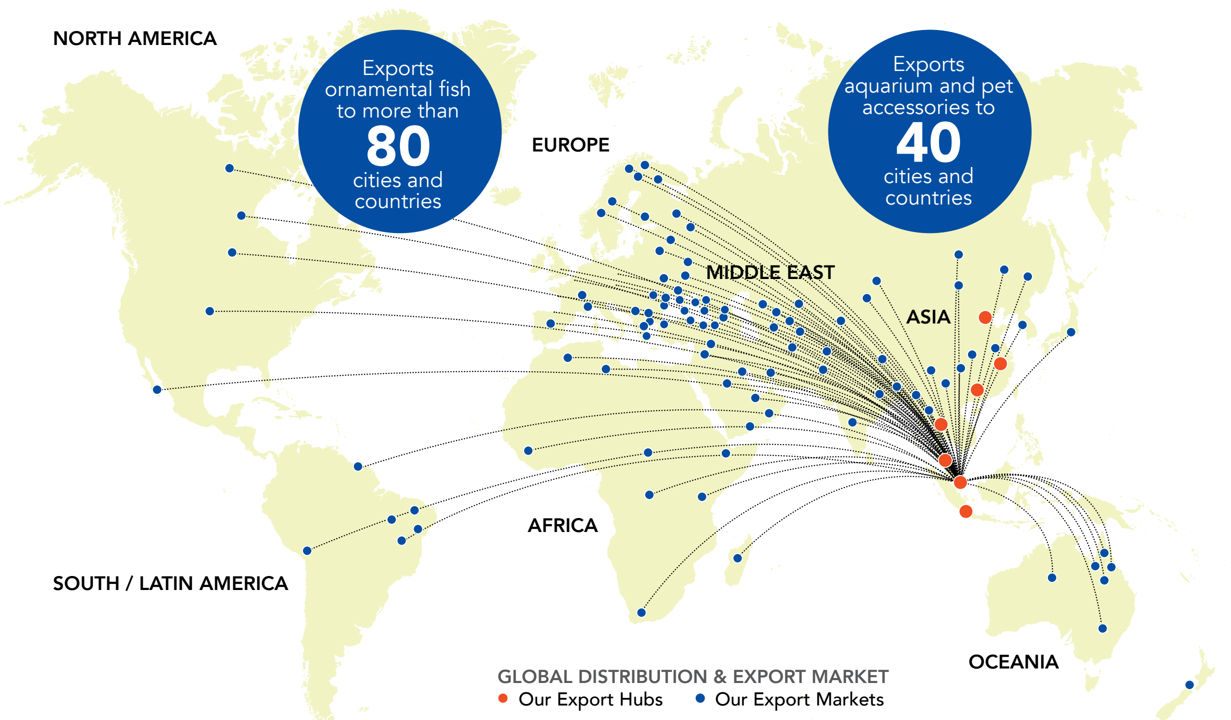
507
employees in 2018

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.



30% of Group Revenue

SINGAPORE

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

51% of Group Revenue

ASIA

- Incorporated subsidiaries in Malaysia, China, Thailand and Indonesia as export hubs and domestic distributors
- More than 160 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

9% 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
Kenny Yap Kim Lee
(Executive Chairman and Managing Director)
Alvin Yap Ah Seng
Andy Yap Ah Siong
Lai Chin Yee
Tan Tow Ee
Chang Weng Leong
Sharon Yeoh Kar Choo
Ling Kai Huat

AUDIT COMMITTEE
Tan Tow Ee (Chairman)
Chang Weng Leong
Sharon Yeoh Kar Choo
Ling Kai Huat

NOMINATING COMMITTEE
Sharon Yeoh Kar Choo (Chairman)
Chang Weng Leong
Ling Kai Huat

REMUNERATION COMMITTEE
Chang Weng Leong (Chairman)
Tan Tow Ee
Sharon Yeoh Kar Choo

RISK MANAGEMENT COMMITTEE
Ling Kai Huat (Chairman)
Tan Tow Ee
Kenny Yap Kim Lee
Lai Chin Yee

COMPANY SECRETARY
Lai Chin Yee

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AUDITORS
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Singapore 048581

PARTNER-IN-CHARGE
Yeo Lik Khim
(Appointed in financial year 2017)

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.

INVESTOR RELATIONS
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kenny_yap@qianhu.com
Ho See Kim
seekim@tishrei.sg

STOCK DATA
SGX code : BCV
Bloomberg code : QIAN:SP

Letter from the Chairman

The aquaculture business is estimated to be worth US$176.45 billion[1] and accounted for 50% of the world's fish as food[2].

Dear Bosses

It gives me great pleasure to report on key successful developments during the year. It has been another exhilarating year for Qian Hu ("or the Group"). In recent years, we had set out the long-term growth strategy for the Group – leveraging on innovation, enhancing automation and launching new products and accessories to remain competitive and ensure sustainability well into the future. While our current ornamental fish business is stable, profitable and still holding growth potential, as an impetus to take us to a new level of growth, we entered into the aquaculture business. In early 2017, we commenced operations of our aquaculture project in Hainan Province, rearing Grouper fingerlings followed by a second aquaculture farm, engaging in the import and export of edible fish and other seafood products in the same region. I am delighted to report that early indications point to the success of both, which is one of the highlights of the year!

Beauty for your eyes, Food for your pleasure – All from Our Heart

We have long been associated with the highest quality of ornamental fish in markets around the world. After painstakingly laying the groundwork and replicating our cutting-edge hydra filtration technology and high quality proprietary fish feed, which had made us leaders in the ornamental fish business, we boldly stepped into the aquaculture sector in 2017 using this knowledge to grow antibiotic-free edible fish. While capture fishery production has remained relatively stable, aquaculture has registered impressive growth in the supply of fish for human consumption. The aquaculture business is estimated to be worth US$176.45 billion[1] and accounted for 47% of the world's fish as food[2]. This bodes well for our entry into the business, as it signifies the immense growth potential for us, given the ongoing

[1] Businesswire. "Global aquaculture market 2017-2022: Market expected to reach $219 billion – research and markets."
[2] Food and Agriculture Organization of the United Nations. "The State of World Fisheries and Aquaculture 2018."
[3] 2014-2015 Global Food Policy Report.
[4] Project Earth. "Aquaculture, the fastest-growing food sector in the world, still has a long way to go."
[5] The World Bank. "Sustainable Aquaculture."
[6] Businesswire. "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."
[7] The World Bank. "Global economic prospects. The turning of the tide?"
[8] Ministry of Trade and Industry. "MTI forecasts GDP to grow by '3.0 to 3.5 per cent' in 2018 and '1.5 to 3.5 per cent' in 2019."

and increasing demand for sustainable, nutrition-dense, environmentally-friendly and safe food. The challenge now is for us to replicate the success we have achieved with our ornamental food and other businesses in this segment. We are confident of our ability to do this, given our promising start.

A Truly "Fishy" Company Making our Successful Leap into Edible Fish

Both our farms have already begun to contribute positively to the Group's financial performance. In July, we started farming lobster fingerlings. Our second farm, whose actual operations started in June 2018, has begun its export activity, with live products being exported to Singapore, Malaysia, Vietnam and Thailand. Table-sized Marbled Goby are already being exported to Singapore and Malaysia from there. We are in the process of expanding the variety of exported fish such as Golden Pompano and Sand Goby as well as the number of export markets in the region.

Presently, we are focusing on delivering consistent fingerlings at our first farm and engaging in the import and export of edible fish and other seafood items in our second. While our aquaculture business is still in its fledgling stage, we have ambitions to extend our activities to meet the growing demand in the near future. In particular, we will be looking for synergistic tie-ups to extend our involvement in the supply value chain such as in the area of Grouper hatchery. Our plans extend to backward integration of our value chain to the larval, nursery and grow-out culture.

Swimming Further and Beyond

Our eventual goal is to expand our business of sustainable farming of edible fish for the China consumer market and beyond so that over the longer term, the aquaculture business may grow to be the largest revenue contributor to the Group. While this may seem like a tall order, the markers are in place for the realisation of this ambition. The world seas are in danger of being depleted due to overfishing, pollution and other environmental challenges. Simultaneously, world population growth is putting immense pressure on the need for sources of sustainable food. Aquaculture has assumed significant importance in meeting this demand for food. This demand is set to increase given rising incomes and urbanisation[3]. It is estimated that the world will need around 40 million more tons of seafood as early as 2030[4], with aquaculture projected to be the prime source[5]. It is also anticipated that by that time, the Asia Pacific region will account for approximately 70% of global demand for fish and seafood products.

Furthermore, China, our base for aquaculture, is the world's largest producer, consumer, importer and exporter of seafood products, accounting for approximately 35% of all global production[6]. We are thus well-placed geographically and operationally to take advantage of this projected demand, operating in key markets in Asia and maintaining a robust distribution network across the globe.

Progressing on All Fronts

While the past year has seen us put much focus on our new aquaculture business, we remained committed to improving and expanding our existing businesses in terms of product range, market reach and value-add to our customers. Innovation and creativity have remained the key differentiating factors in pushing the boundaries of the quality of our products, efficiency and productivity in our operations and environmentally sustainable practices.

The current mainstay of our business, our Ornamental Fish segment, remains robust with our export of ornamental fish from Indonesia growing at a healthy rate. Together with our Singapore, Thailand and Malaysia exports, we are poised to become the world's foremost exporter in the very near future.

We introduced new products to our accessories business, such as our LED lights for plants under the AquaZonic® range, continuing to meet customers' needs and remaining relevant in this dynamic marketplace. We are looking into consolidating our operations in China so as to fully integrate the value chain, from R&D all the way to manufacturing and distribution.

Technology as a Game Changer

As always, technology has played a major part in our ability to improve and expand our operations and maintain the high standards of our products. A key technological application this year has been our RAS (Recirculation Aquaculture System) for the recirculation of water for our Hainan farms and our Aquaculture business. We have further reduced our sea water input by using our Hydro-Pure purification technology to treat waste water, which is recirculated and reused. We estimate that we will be able to recirculate 30% of the total water usage, thus saving on water, a major factor in environmental sustainability. We have also started testing our Hydra Prime recirculation system, which will reduce the need to change water within an enclosed tank and we are working towards running a closed system where all the water used will be recycled.

Keeping Watch, Looking Ahead

The world economy is anticipated to weaken in the coming year, as global trade slows, trade and investment moderate and financing conditions tighten. Other downside risks include the ongoing China-US trade dispute, rising trade protectionism and geopolitical tensions[7]. Our domestic economy, driven by macroeconomic factors, will be impacted and it is projected that Singapore's economy will moderate in 2019 as compared to 2018[8]. Dampened business sentiment may affect the profitability of our Group.

Despite the uncertain outlook, we believe that we have the right combination of quality products, an innovative and creative mindset, a strategic roadmap and strong business networks which will drive our performance. We are optimistic of opportunities ahead that will enable us to keep on an aggressive growth path.

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

Kenny The Fish
Executive Chairman and Managing Director

主席的话

各位老板们：

我很高兴地向各位汇报仟湖（或“集团”）在今年里所取得的进展。2018年又是令人振奋的一年。近几年，我们制定了集团的长期发展策略，包括科技创新、提高自动化水平、推出新产品以及水族器材业务能继续保有市场竞争力并确保集团能取得可持续性的发展。目前，我们观赏鱼业务的发展和盈利依然稳定并仍具有极大的增长潜力。为了使仟湖的整体业务能有所提升，我们已于2017年开始涉足水产养殖业务。该年初，我们在中国海南省启动了第一个养殖石斑鱼苗的项目。接着，我们又在同一区域开展了第二个项目从事食用鱼及其他海产品的进出口业务。我很欣慰地告知这两个水产项目都取得了良好的表现，这也是今年集团业绩的一大亮点!

秀色可餐，赏心悦目，从心出发

长期以来，仟湖观赏鱼的高品质已获得全球业者的认可。我们多年坚持不懈的努力，研发了独有的先进过滤技术和优质的鱼饲料也促使仟湖在观赏鱼行业中能占有领先的地位。在2017年，当我们决定迈入水产养殖业时，就运用了这些积累的知识养殖不含抗生素的食用鱼。尽管捕捞数量保持相对稳定，但水产养殖业的食用鱼供应量增速惊人。根据美国商业资讯的数据，水产养殖业的价值估计为176亿4500万美元[1]，占世界食用鱼市场的47%[2]。这股强劲的增长趋势对刚开启水产养殖业的仟湖意味着极大的发展潜力，尤其是消费者对可持续、营养丰富、环保和食品安全等方面的需求正在不断地提升中。当下，我们面对的挑战是要如何将我们在观赏鱼和其他业务所取得的成绩复制在水产养殖业中。俗话说，好的开始是成功的一半，我们对仟湖在水产养殖业所能取得的成果深具信心。

完美配搭 — 成功地从观赏鱼延伸到食用鱼

自成立以来，我们的两个水产养殖场已经开始为集团的业绩增添效益。今年7月，我们更开始饲养龙虾苗。第二个养殖场业也于6月开始出口业务，将活海产出口到新加坡、马来西亚、越南和泰国。另外，我们也已经出口大理石虎鱼到新加坡和马来西亚。目前，我们正逐步增加出口海产鱼类的品种，如金鲳鱼和砂虾虎，到更多的国家。

目前，我们正专注确保第一个养殖场的鱼苗供应量和质量能保持平稳，并逐步启动第二个养殖场的食用鱼和其他海产品的进出口业务。虽然我们的水产养殖业务还处于萌芽阶段，但我们已经着手相关业务的拓展计划。具体而言，我们会积极地寻觅具战略性的合作伙伴以进一步伸展我们的水产养殖业的价值链。仟湖的发展蓝图是能够完整覆盖水产养殖业的各个阶段，从生产幼虫、育苗到长成物。

游向新的领域

我们最终的目标是将水产养殖业务的规模扩大至能够供应中国消费市场以外的更多国家，并致力将水产养殖业务打造成为集团的主要销售来源。这看似一项艰巨的任务，但我们已整装待发地朝着新的目标迈进。由于过度捕捞、污染和面对各种环境挑战，世界海洋正面临枯竭的威胁。与此同时，世界人口的逐渐增长也给持续性食物源带来巨大的压力。这促使水产养殖在满足人们对持续性食物源的需求发挥了重大的作用。有鉴于个人收入和城市化水平的不断提高，因此对食物源的需求也将会相对增加[3]。据估计，到2030年，全球将消耗至少约4000万吨的海产品[4]，而水产养殖预计将会是其主要来源[5]。预计届时，亚太地区将会占全球鱼类和海鲜品需求的约70%。

此外，我们水产养殖业务的基地——中国——是现今海产品产量、消费、进出口的最大国，约占全球总产量的35%[6]。因此，我们的水产养殖业务处于的优越地理位置也给予了它运营上的优势。我们将以中国为中心，在亚洲的关键市场开展业务，并在全球建立强大的分销网络。

全方位稳健挺进

尽管在2018年里，我们把较多的精力放在崭新的水产养殖业务上，我们仍旧不断地努力提升和推动现有的业务，包括增加产品种类、开展市场涵盖范围和提供更多客户的增值服务。创新和创意一直是推动与区别仟湖的产品质量、提升营运与生产率和实践环境永续性的关键因素。

仟湖的主营观赏鱼业务在印度尼西亚的出口业务秉持着强劲增长的势头下仍在强健增长。加上集团在新加坡、泰国和马来西亚的出口枢纽业务，正逐步实现仟湖成为世界最大的观赏鱼出口商的愿景。

在水族器材业务方面，我们紧随市场的变化并推出了多项新产品以满足客户的需求。例如专为水族植物所研发的Aqua Zonic系列的一款发光二极管灯(简称LED)。目前，我们正在探讨整合仟湖在中国的水族器材业务以便更有效地将我们的运作，包括研发、生产及分销，融入整体的价值链中。

引用新科技改善作业方式

一直以来，仟湖不断地引用新科技以改进和提升运作效率和保持产品的高质量。其中一个关键技术应用是仟湖独有的养殖循环水过滤系统（“Recirculation Aquaculture System”或简称“RAS”）。目前，这项技术正用于我们设在中国海南的水产养殖场和我们的水产养殖业务。融入自家研发的艾洁净水科技(“Hydro–Pure”)的RAS系统能够将水重新导回水箱循环使用，在改善水质的同时也能有效地减少约30%的用水量，从而节约用水，也是环境可持续性的主要因素之一。我们也开始测试新研发的Hydra Prime循环水过滤系统。Hydra Prime循环水过滤系统能减少水箱内更换水的次数。我们正朝向建立一套封闭式系统使所有的用水都能循环使用。

向前看，展望未来

接下来，世界经济预料在全球贸易迟缓，加上贸易与投资平和以及金融条件紧缩的情况下将呈现疲弱。其他隐忧包括美国和中国之间爆发的贸易战，不断提升的贸易保护主意和日益紧张的地缘政治[7]。新加坡的国内经济即会受到宏观经济波及，估计与2018年相比，集团2019年的经济成长也会适度的放缓[8]。低迷的经商氛围也可能影响集团的盈利。

纵然经济前景不尽明朗，我们相信仟湖拥有的优质产品、创新和创意性思维、具策略性的发展蓝图和强大的业务网络，将能够持续确保我们的业绩能稳健的增长。我们对未来的发展商机持乐观态度，并会积极进取地步向成长道路。

最后，我要感谢我们的董事们、所有的股东、合作伙伴、客户和全体员工。感谢你们对仟湖一路走来的绝对支持与信任，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

[1] 美国商业资讯 (Businesswire): “Global aquaculture market 2017-2022: Market expected to reach $219 billion research and markets.”

[2] 联合国粮食及农业组织 2018年世界渔业和水产养殖状况 (Food & Agriculture Organization of the United Nations: The State of World Fisheries and Aquaculture, 2018).

[3] 2014-2015 Global Food Policy Report.

[4] Project Earth.“Aquaculture, the fastest-growing food sector in the world, still has a long way to go.”

[5] 世界银行 (The World Bank) “Sustainable Aquaculture.”

[6] 美国商业资讯 (Businesswire. “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”.

[7] 世界银行 (The World Bank)“ Global economic prospects. The turning of the tide?”

[8] 新加坡贸工部第三季经济调查报告–– 贸工部预计2018 年经济成长介于3.0% 到 3.5 % 而2019 年经济成长介于 1.5% 到3.5 %

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,
Kg. Baru Balakong
43300 Balakong, Selangor
Darul Ehsan, Malaysia

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

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

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)

100%
Beijing Qian Hu Aquarium and Pets Co., Ltd
Dong Fish Farm,
Bei Ma Fang Village,
Jinzhang Town,
Chao Yang District,
Beijing, China

100%
Guangzhou Qian Hu OF Feed Co., Ltd
No.12 Dongfeng Road,
Qichecheng, Tanbu Town,
Huadu District,
Guangzhou, China

100%
Guangzhou Qian Hu Aquarium and Pets Co., Ltd
No.12 Dongfeng Road,
Qichecheng, Tanbu Town,
Huadu District,
Guangzhou, China

100%
Qian Hu Aquaculture (Hainan) Co., Ltd
Yan Dun Wen Yuan Village
Hui Wen Town
Wen Chang City
Hainan, China

60%
Tian Tian Fisheries (Hainan) Co., Ltd
Bao Shi Village
Hui Wen Town
Wen Chang City
Hainan, China

90%
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, 53

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	20 years (as at 31 December 2018)

Served on the following Board Committees

• Executive Management Committee	Chairman
• Risk Management Committee	Member

Present Directorships in other listed companies
• Nil

Present Principal Commitments (other than directorships in other listed companies)
• Nil

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, 53

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	20 years (as at 31 December 2018)

Served on the following Board Committees
- Executive Management Committee — Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

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

ANDY YAP AH SIONG, 52

DEPUTY MANAGING DIRECTOR

Diploma in Business Studies, Ngee Ann Polytechnic

Date of first appointment as director	12 December 1998
Date of last re-appointment as director	22 March 2017
Length of services as director	19 years (as at 31 December 2018)

Served on the following Board Committees
- Executive Management Committee — Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

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

Background and experience
- Founding member of Qian Hu
- Oversees the Group's ornamental fish and aquaculture operations

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

LAI CHIN YEE, 53

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	23 March 2016
Length of services as director	13 years (as at 31 December 2018)

Served on the following Board Committees
- Executive Management Committee — Member
- Risk Management Committee — Member

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

Present Principal Commitments (other than directorships in other listed companies)
- 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

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

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

TAN TOW EE, 56

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	16 years (as at 31 December 2018)

Served on the following Board Committees

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

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

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, 56

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	18 years (as at 31 December 2018)

Served on the following Board Committees

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

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

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, 60

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	7 years (as at 31 December 2018)

Served on the following Board Committees

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

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

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 26 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, 70

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	23 March 2016
Length of services as director	3 years (as at 31 December 2018)

Served on the following Board Committees

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

Present Directorships in other listed companies
- Nil

Present Principal Commitments (other than directorships in other listed companies)
- Nil

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 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 20 years. He is responsible for the growth of the Group's plastics business.

2 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.

THAILAND / INDONESIA

3 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.

4 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.

MALAYSIA

5 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

6 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 overall business operations and 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 AVA's Ornamental Fish Business Cluster.

7 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 ornamental fish and aquaculture business in China.

8 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, such as the revolutionary Hydro-Pure technology. 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 and Commerce degree from the University of New South Wales, majoring in Marketing and International Business.

Focus & Strategy

For 2019 and beyond, we will continue to put our efforts into taking Qian Hu to the next growth level, across all our business divisions. We will do this by leveraging on our current competencies, particularly in research and development and in the distribution and marketing of our products. By harnarssing technology, being centred on innovation and quality and driven by our ambitions, we aim to be a leading global player in edible fish, ornamental fish and accessories. We will continue to be a productive organisation, value-adding to our customers, business partners and to the community at large.

AIMING TO BE THE FOREMOST ORNAMENTAL FISH EXPORTER

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

FOCUSING ON HIGH VALUE FISH

In the coming years, we will continue to invest our efforts into the breeding of ornamental fish with the aim of growing this segment into one of our key competitive strengths.

We foresee that 2019 will be another challenging year for ornamental fish as the market will continue to demand high quality fish. Through our continued investment in research and development efforts, we plan to position ourselves as high quality suppliers in the region.

Leveraging on our expertise in the breeding of unique Dragon Fish such as the Albino Silver Arrowana, we are expanding our product range, to capitalise on market trends that favour albino variants. We intend to develop a whole range of albino ornamental fish based on this new genomic technology which will enhance our profitability in the foreseeable future.

ESTABLISHING OUR ACCESSORIES BRANDS AS THE MOST RECOGNISABLE IN ASIA

We are working towards expanding our accessories brands, Ocean Free® and OF®, to more than 60 countries and cities. We intend to bring to market more aggressively an exciting pipeline of innovative, proprietary products such as our cutting edge filtration and sterilisation systems as well as our new-generation aquarium accessories using our Hydro-Pure technology. We also intend to continue developing high quality fish nutrition, which bring out the beauty of fish and maintain their health and well-being.

KEEPING INNOVATION AND TECHNOLOGY AT THE FOREFRONT OF OUR OPERATIONS

Our research and development which is driven by our creative spirit has brought about innovative accessories and fish nutrition. We are maintaining strong momentum on our Hydro-Pure Technology driven product with the new Hydra Prime water purification system for larger scale applications such as outdoor ponds and koi pond.

Also, Qian Hu is raising the bar for our herbal-based medication series with a new range for Stingrays that is 100% natural and antibiotic-free. Stingrays are known for their sensitive nature to medications. Development for this medication series for stingrays was especially challenging and thorough testing has been underway as early as June 2016. The products were launched in 2018.

We intend to continue to be a technologically driven company and towards this end, we have engaged in various online marketing platforms. These e-commerce initiative should enhance our brand positioning and increase our accessibility and reach to customers.

BECOMING A FULLY INTEGRATED AQUACULTURE FARM – OUR NEW GROWTH ENGINE

With our track record and know-how in fish breeding and putting our Hydro-Pure filtration technology to the use, we successfully commenced the farming of antibiotic-free Grouper fingerlings in Hainan Province, China in 2017. While our current activities are focused on the farming of edible fish fingerlings, we aim to possess brooder stocks of edible fish and seafood for breeding purposes, ultimately expanding our product offerings to capture additionally selling points throughout the product life cycle. We are also working towards developing yeast-based fish nutrition to boost the immune system of our seafood products. We are confident that our aquaculture business, with the right strategy in place and assuming global trends remain consistent, may even surpass our ornamental fish business.

2018 In Review

Aquaculture – A New Growth Phase

Leveraging on our core technologies of proprietary quality fish feed, herbal-based, antibiotic-free fish medication and clean water powered by our Hydro-Pure technology, we have seen significant progress in our edible fish business segment.

Our aquaculture farms in Hainan, are successfully rearing various types of Grouper fingerling, such as Humpback, Coral Trout, Hybrid Grouper and Giant Grouper. In addition to augmenting the variety of Grouper being reared, we have actively increasing the number of export markets for these fingerlings.

We are in the fledgling stage of extending our involvement in the aquaculture value chain of Grouper and other types of edible fish to the grow-out phase.

Other than the exporting of fingerlings, we are currently engaged in the export of edible fish such as the Golden Pompano, Snapper and Marbled Goby to the South-east Asian countries. The Group aims to increase the various types of edible fish species being exported out of the Hainan Province, given the immense potential the market holds.

We are also working on the breeding and farming of crustacean in China. Our farm is experimenting land-based lobster cultivation. If our model farm proves successful, the long-term plan is the provision of expertise to local farmers in terms of our water purification and filtration systems, as well as our consumables, in order to build an eco-system and industry for lobster-farming.

With Hainan's infrastructure and manpower capability for fish cultivation, export and other peripheral activities, China is the natural base of our aquaculture business.

Breeding of New Ornamental Fish

The year under review remained a challenging one for the ornamental fish segment due to the uncertain global economic conditions and we faced inconsistency and shortage in terms of the supply of certain fish species.

As such, breeding is a fundamental process and we have been working on integrating closer with this process to strengthen our position in the value chain by exploring initiatives, such as indoor breeding of ornamental fish in a controlled environment. This will enable us to regulate the supply of ornamental fish on a more consistent basis.

We have since started the breeding of Sliver Albino Arowana which, incidentally, are more productive than the Golden and Red Arowana varieties. Our primary focus going forward is to breed a new generation of Albino Arowana which demonstrates improvement in overall colours. We are also in collaboration with the National University of Singapore in the research and development of a whole new range of ornamental fish that are albino. This project is currently at the early research phase.

Showcasing our New Products

Innovation is the means by which we have been able to keep up with market trends, continually improve our products and offer customer-focused solutions for aquarium and pet accessories needs. We introduced new products across our various aquarium and pet accessories brands and made improvements and enhancements to our existing products.

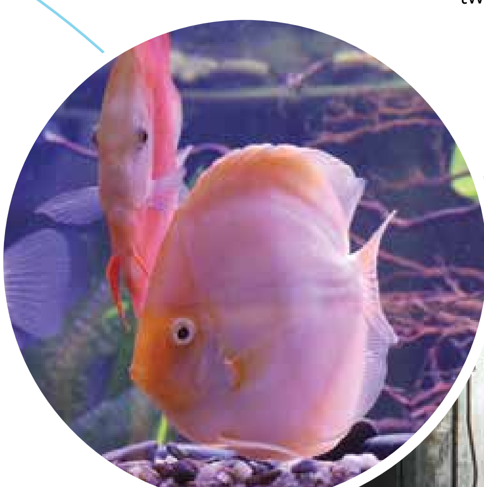
Our Aqua Zonic brand now carries a new model of LED lighting range for fish, plants and marine referred to as the Spectra Series. They are the Spectra Miracle, Spectra Planted and Spectra Reef LED light set. Improvements were also made to our Arowana Tanks. As an example, our Arowana Tanks underwent improvements in the drainage flushing design of the filtration sump tank and the design of the biological chamber, so as to ease the maintenance work of fish hobbyists to achieve superb water quality for their fishes.

Likewise, upgrades were made to our OF Hydra product range, powered by our Hydro-Pure Technology. The OF Hydra Prime V3 Water Purification System, the latest edition in this range, was introduced. It is a unification of two different technology application, the Hydro-Pure Technology and 3DM Pro Series Filter Medium, which will ensure optimal water quality and stability in big ponds systems. From the feedback received, we are optimistic of its acceptance by the local and international koi farming and general fish farming industry.

Our RevoReef 3DM Artificial rocks and sands – Bacto Rock and Bacto Sand – for freshwater use, has gained traction with steady increased orders, especially from Europe. The RevoReef 3DM products are being forged from natural materials, are eco-friendly, doing away with the need for removing natural rocks and sand from rivers and oceans, thus preserving the natural habitat.

Not to be outdone, our pet accessories division has kept up the innovative spirit, introducing a new range of Aristo-Cats Tuna series can food. With the emphasis on promoting environmentally-friendly and biodegradable products, we have developed and unveiled Tofu cat litter and carbon pet sheets with better absorption capabilities.

In the year ahead, we will be conducting more research and development into new and improved fish feed and herbal medication, energy efficient pumps and App-controlled electrical accessories.



2018 In Review

Our Marketing Efforts

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

- **Asiawater 2018, Kuala Lumpur, Malaysia (April 2018)**
- **Pet Expo 2018, Thailand (May 2018)**
- **Interzoo 2018, Nuremberg, Germany (May 2018)**
- **AQUARAMA International Aquarium Exhibition, Shanghai, China (August 2018)**
- **The 14th ZNA Malaysia Koi Show 2018, Selangor, Malaysia (September 2018)**
- **The China International Pet Show ("CIPS") 2018, GuangZhou, China (September 2018)**
- **The 6th China International Koi Show (Dongguan Station) (November 2018)**
- **The 5th Koi Show (Jiangmen Station) (November 2018)**
- **NUSATIC 2018, Indonesia (November 2018)**
- **The 7th China Koi Show (Dongguan Station) (December 2018)**
- **The 18th China Koi Show (Shunde Station) (Dec 2018)**

Market Updates

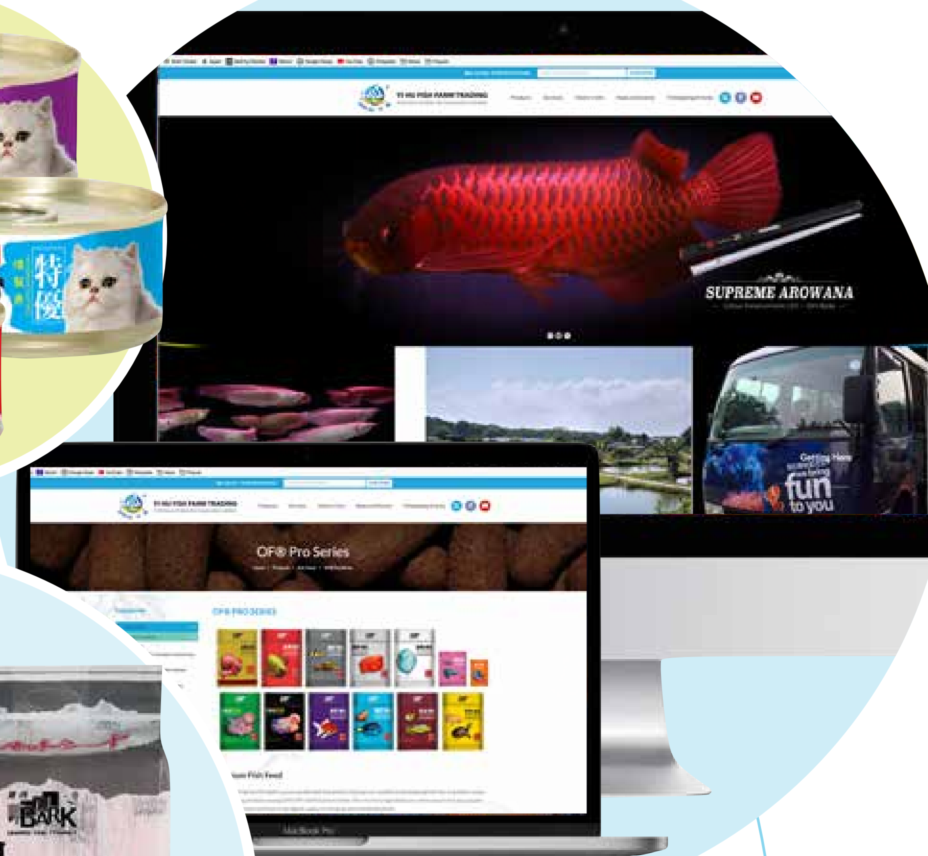
Singapore

In FY 2018, our OF Hydra Filtron Canister Filters continued its strong showing from the previous year. It enjoyed healthy sales in Singapore as it has gained acceptance with robust sales from our domestic and overseas customers.

Another product series which saw increased market awareness and acceptance is the OF Hydra water depurator range of products. Through a series of strategic collaborations with global influencers, we have succeeded in securing orders from more countries.

Among the new products introduced into the market this year were our series of Aqua Zonic LED lighting for small tanks and the OF Activa Block, our new high rate activated carbon. Both of these products have been well received in Singapore. OF Activa Block is also being exported with repeat orders coming in after initial tests were carried out by customers. In response to the growing pet demand in the market, we have brought in a new range of birds and small animals feed.

Our dedicated website, www.yihufish.com, and our Facebook page, www.yihufish.com/qianhuacccessories, have been an important channel of engagement with social media savvy consumers and we will keep populating those sites with information-rich content.



Market Updates

Malaysia

The Malaysian market environment was affected by the abolishment of the Goods and Services Tax (GST) in June 2018 and the introduction of the Sales and Services Tax (SST) in September 2018.

During the year, we introduced products such as OF MN-G1 Pro-Miniature Fish Feed, OF BT-G1 Pro-Betta Fish Feed, OF Activa Block, 3DM Bacto Rock and OF Hydra Prime V2 Water Purification System into the market. Out of all these products, OF Activa Block received very good feedback from customers.

As part of our marketing activities, we participated for the first time in the Malaysia Koi Fish Fair to promote our Koi fish-related accessories such as the Koi Series Fish Feed, Air Pump, 3DM Pro Filter Medium and OF Hydra Prime V2 Water Purification System.

The increase in the pet population augurs well for our pet accessories and food given the rise of pet adoption and animal shelters across the country. Through on-going trade offers and tie-ups with retailers, we have been able to boost our sales, leveraging on this trend. We anticipate continued sales growth for pet foods, given the potential upside of this market, with many pet owners yet to convert to prepared pet food.

China

Our OF Pro Series fish feed and Oceanfree Arowana medication series attained organic growth. Tanks continued to dominate sales. The tank innovation and upgrades allowing us to grow our customised tank sales by 30% over the previous year.

We introduced innovative and upgraded products into the China market, among them tanks in our OF series. Our Arowana fish tank was improved in terms of aesthetics and filtration efficiency.

The internet platforms have become important components of our product marketing and sales. We established effective communication and improved our relationship with our online dealers by stabilising the prices of our products and improvement in terms of brand awareness. We managed to undertake product and brand promotions and to expand our customer base via various online platforms.

We gained better visibility on the retail front as well. As part of brand promotion, we worked with shop retailers in displaying nicer fish tank setup and creating a unique shopping and aftersales services experience.

Looking into the future, we are optimistic of the development of the aquarium industry In China, with the market set to become more stable and transparent as it matures and normalises. In the near term, fluctuations in the market are expected given existing market regulations, domestic advertising and other prevailing local conditions.

Thailand

The ornamental fish market in Thailand was competitive with downward pressure on prices, coupled with high customer expectations. Our 48,000 sqm breeding farm in Ratburi breeds parrot fish, goldfish, angel fish and African cichlids. The demand from India for our parrot fish was high and we were thus actively engaged in breeding and rearing this fish at our farm. The different varieties of our farm-bred angel fish have been introduced to our customers with positive feedback. Our export markets have been growing at an average of 10% per annum.

On the accessories end, we introduced new plant cat litter and various new pet cages which contributed to the increase in pet accessories sales. To increase our brand awareness and drive sales, we participated in major pet shows in Bangkok and assisted in retail promotions by providing point-of-sale materials such as banners for more effective and visually arresting product promotion.

Moving forward, we see an increasing demand for cat accessories like cat litter and cages as well as cat food given the growing popularity of cat as pets. We will focus on bringing in various new products to meet this market demand.

Indonesia

The Indonesian government is targeting for the country to become the world's largest exporter of ornamental fish by 2021. In line with its plans, the authorities have laid the roadmap to achieve this through creating a favourable business climate around the ornamental fish export industry, as well through the RAN (Rencana Aksi Nasional) National Action Plan. Under this plan, the country hosts international exhibition featuring fish displays, contests, as well as symposiums.

This year, P.T. Qian Hu Indonesia again participated as one of the Nusatic exhibitors with the objective to raise awareness of the company within the Indonesian ornamental fish business and market, as well as to seek new approved suppliers and prospective customers. It has allowed us to gain more exposure. We also rented a place in a traditional wholesale market which is well-known in South-east Asia. This has reaped good results as currently 40% of our local sales come from this avenue, with the potential for even higher sales in future.

We exported existing breeds, such as the Silver Arowana, which has a consistent demand in in Asia. Our export sales were boosted by new export items, like koi and goldfish, to the Middle East and have received positive feedback. Goldfish is now a regular export item for Iraq and Kuwait.

In the coming year, we will concentrate to explore new types of invertebrates for the export market. We will also go into exporting more high value items, such as high grade koi, and continue in earnest with our marketing efforts.

Financial Highlights

	2018	2017	2016	2015	2014
FOR THE YEAR ($'000)					
Revenue	85,667	87,824	80,470	77,970	83,526
Gross profit	26,042	26,257	23,739	22,164	23,199
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	3,447	3,046	2,208	2,508	2,922
Loss on disposal of an associate	-	(46)	-	-	(134)
Profit (Loss) before tax	775	761	(10)	549	1,098
Net profit attributable to owners of the Company	402	329	68	19	392
Operating cashflow	514	6,725	3,076	1,538	3,948
Capital expenditure	1,824	2,575	2,296	1,867	2,061
AT YEAR END ($'000)					
Total assets	79,807	81,634	77,664	75,817	76,688
Total liabilities	28,999	29,999	27,170	25,509	25,635
Equity attributable to owners of the Company	48,461	48,919	48,546	48,673	49,548
Net current assets	18,725	18,973	22,194	33,786	33,390
Cash and cash equivalents	11,491	11,124	8,723	7,772	8,557
KEY FINANCIAL RATIOS					
Revenue growth (%)	(2.5%)	9.1%	3.2%	(6.7%)	0.1%
Net profit growth (%)	22.2%	383.8%	257.9%	(95.2%)	29.8%
Gross profit margin (%)	30.4%	29.9%	29.5%	28.4%	27.8%
Net profit margin (%)	0.7%	0.6%	0.4%	0.3%	1.0%
Debt-to-equity ratio (times)	0.57	0.58	0.54	0.51	0.50
Return on shareholders' equity (%)	0.8%	0.7%	0.1%	0.0%	0.8%
Return on total assets (%)	0.5%	0.4%	0.1%	0.0%	0.5%
Dividend payout ratio (%)	56.5%	69.0%	-	1,194.7%	115.8%
PER SHARE INFORMATION (CENTS)					
Earnings per share	0.35	0.29	0.06	0.02	0.35
Net assets per share	44.75	45.48	44.48	44.31	44.97
Cash per share	10.12	9.80	7.68	6.85	7.54
Dividend per share	0.20	0.20	-	0.20	0.10*
MARKET CAPITALISATION ($'MILLION)					
At close of business on the first trading day after the announcement of audited results	21.68	24.98	13.85	18.05	38.60

* before share consolidation in August 2015

Value-Added Statement

($'000)	2018	2017
Revenue earned	85,667	87,824
less : Purchase of goods	(67,432)	(69,028)
Gross value-added from operations	18,235	18,796
Other income	1,637	119
Exchange loss	(356)	(245)
Share of losses of associate	-	(10)
Total value-added	**19,516**	**18,660**
Distribution :		
To employees in salaries and other related costs	14,974	14,499
To government in corporate and other taxes	925	763
To providers of capital :		
- Interest paid on borrowings from financial institutions	513	387
Retained for re-investment and future growth		
- Depreciation and amortisation	2,167	1,895
- Accumulated profits	402	329
- Non-controlling interests	166	220
Non-production cost and income :		
- Bad trade receivables and impairment loss on trade receivables	345	623
- Allowance (Write back of allowance) for inventory obsolescence	24	(56)
Total distribution	**19,516**	**18,660**

PRODUCTIVITY DATA

	2018	2017
Number of employees	507	551
Value added per employee ($'000)	38	34
Value added per $ of employment cost	1.30	1.29
Value added per $ sales	0.23	0.21
Value added per $ of investment in property, plant and equipment	0.45	0.46

Financial Review

Statement of Profit or Loss

REVENUE – Decreased marginally by approximately $2.2 million or 2.5% mainly due to reduction in revenue contribution from core business segments - Fish and Accessories.

Despite better sales generated from the Group's new aquaculture business, it was offset by the continuous decline in the selling price of the Dragon Fish, which affected the overall fish revenue contribution. Decrease in revenue from the accessories segment was attributable to the disposal of subsidiary in Shanghai in FY 2018, with the intention to consolidate and to streamline the Group's accessories operations in China.

GROSS PROFIT – Decreased by $0.2 million or 0.8% mainly due to reduction in revenue generated during the financial year as mentioned above.

OTHER INCOME – Mainly consisted of handling income of $1.4 million which was derived from the handling of transhipments in relation to the aquaculture business.

PROFIT BEFORE TAX – The Group's profitability held steady at approximately $0.8 million in FY 2018, notwithstanding the lower revenue registered and the increase in operating expenses due to higher personnel expenses as a result of the increase in headcount and annual salary revision, as well as more expenses incurred to enhance marketing efforts.

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY – Improved as a result of additional income source and better margins from operating activities. Net profit margin improved from 0.6% to 0.7%.

	2018 $'000	2017 $'000	Change %
REVENUE			
- Fish	34,614	35,168	(1.6)
- Accessories	39,095	40,936	(4.5)
- Plastics	11,958	11,720	2.0
TOTAL REVENUE	**85,667**	**87,824**	**(2.5)**
Less : Cost of sales	(59,625)	(61,567)	(3.2)
GROSS PROFIT	**26,042**	**26,257**	**(0.8)**
Add : Other income	1,637	119	NM
Less : Operating expenses	(26,904)	(25,605)	5.1
OPERATING PROFIT	**775**	**771**	**0.5**
Add : Share of losses of associate	-	(10)	(100.0)
PROFIT BEFORE TAX	**775**	**761**	**1.8**
Less : Tax expense	(207)	(212)	(2.4)
PROFIT FOR THE YEAR	**568**	**549**	**3.5**
PROFIT ATTRIBUTABLE TO:			
Owners of the Company	**402**	**329**	**22.2**
Non-controlling interests	166	220	(24.5)
PROFIT FOR THE YEAR	**568**	**549**	**3.5**

NM - Not meaningful

Statement of Financial Position

TOTAL ASSETS – Decreased by $1.8 million as at 31 December 2018.

Decrease in property, plant & equipment was mainly related to capital expenditure incurred in relation to the new breeding farm located in Thailand and a new warehouse facility in Singapore which was offset by the depreciation charge on the property, plant and equipment during the financial year.

Decrease in investment property was a result of the disposal of the freehold land situated in Batu Pahat.

Increase in brooder stocks was related to brooder stocks transferred to the Group as final settlement of the outstanding amounts due from the purchasers of Kim Kang Aquaculture Sdn Bhd, a former subsidiary of the Group.

Decrease in trade and other receivables was due to the exclusion of balance from Shanghai Qian Hu Aquarium & Pets Co., Ltd following its disposal during the financial year, coupled with the capitalisation of deposit payment made for infrastructure construction work upon its completion.

TOTAL LIABILITIES – Decreased by $1.0 million as at 31 December 2018 mainly due to settlement made in relation to the acquisition of trademarks and formulation rights of a product as well as payment made to non-trade payables, partially offset by the increase in loans and borrowings.

SHAREHOLDERS' FUNDS – Decreased by $0.5 million as at 31 December 2018. Notwithstanding the profit generated by the Group during the financial year, the reduction was mainly a result of the adoption of the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 9 – whereby the Group is required to record the amount of loss allowance on all trade and other receivables by ascertaining the amount of expected credit loss ("ECL") that would result from all possible default events over the expected life (lifetime ECL). The reduction in the carrying amounts, amounted to approximately $0.7 million, was recognised directly in retained earnings and reserves.

In addition, there was payment of dividends to shareholders of the Company in April 2018.

NON-CONTROLLING INTERESTS – Decreased by $0.4 million as at 31 December 2018 was mainly attributable to the increase in the Group's equity interest in one of its existing subsidiary during the financial year, which was partially offset by profit contribution from the non-wholly owned subsidiaries.

	2018 $'000	2017 $'000	Change %
TOTAL ASSETS	**79,807**	**81,634**	**(2.2)**
- Property, plant and equipment	9,536	9,599	(0.7)
- Investment property	-	1,586	(100.0)
- Intangible assets	3,289	3,351	(1.9)
- Brooder stocks	10,521	9,382	12.1
- Inventories (including breeder stocks)	15,984	15,681	1.9
- Trade and other receivables	28,986	30,911	(6.2)
- Cash and cash equivalents	11,491	11,124	3.3
TOTAL LIABILITIES	**28,999**	**29,999**	**(3.3)**
- Trade and other payables	11,058	13,337	(17.1)
- Tax liabilities	395	377	4.8
- Loans and borrowings	17,546	16,285	7.7
Total equity attributable to owners of the Company	**48,461**	**48,919**	**(0.9)**
Total non-controlling interests	**2,347**	**2,716**	**(13.6)**

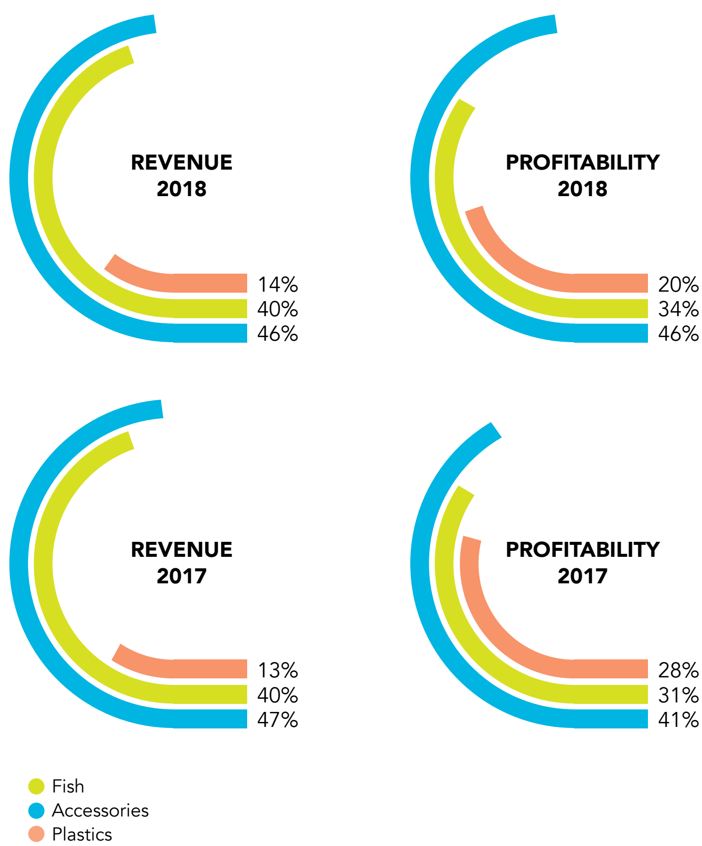
Financial Review

Business Segment Performance

Qian Hu Group has its main presence in five countries, namely, Singapore, Malaysia, Thailand, Indonesia and China, which consists of fourteen subsidiaries (collectively known as the "Group") as at 31 December 2018.

The Group has three main business activities - Fish, Accessories and Plastics. For the financial year ended 31 December 2018 ("FY 2018"), the Group recorded revenue of $85.7 million, of which approximately 86% was contributed by the core businesses (Fish and Accessories), while Plastics contributed the remaining 14%. The Accessories business accounted for 46% of the Group's operating profit compared to 34% from Fish and 20% by Plastics.

	Fish	Accessories	Plastics	Others	Total
FY 2018					
Revenue	34,614	39,095	11,958	-	**85,667**
Profit (loss) before tax	1,293	1,769	762	(3,049)	**775**
FY 2017					
Revenue	35,168	40,936	11,720	–	**87,824**
Profit (loss) before tax	1,087	1,435	959	(2,720)	**761**



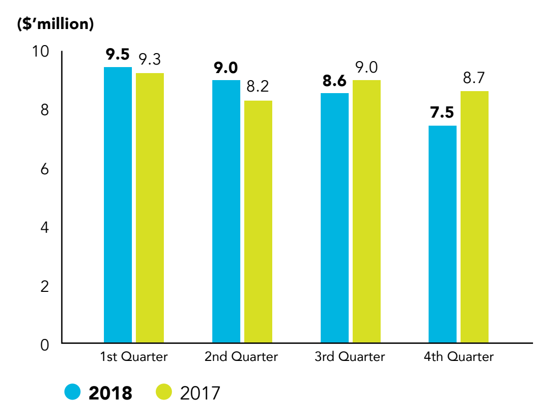
FISH

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 cities and countries as well as distributes to domestic retailers and exporters, reinforcing Singapore's premier reputation as the Ornamental Fish Capital of the World.

In FY 2017, the Group kick-started its aquaculture business with the rearing of antibiotic-free edible fish fingerlings in the Hainan Province of China. It was followed by a second aquaculture farm, engaging in the import and export of edible fish and other seafood products in the same region, which has commenced operation in the second half of FY 2018.

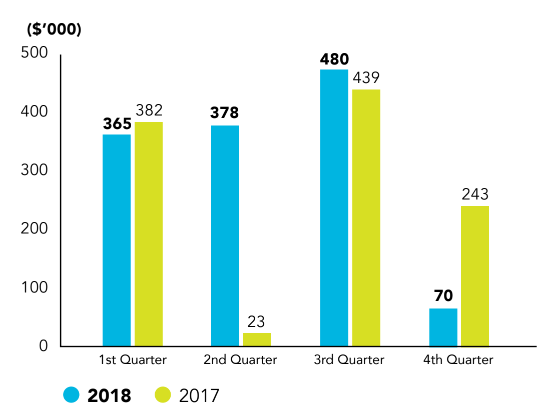
REVENUE

With the sales generated from the newly incorporated subsidiaries in the Hainan Province (China), which deal in the farming of antibiotic-free edible fish, as well as the continuous efforts to increase the export of ornamental fish by diversifying to more customers and more countries around the world from our export hubs in Singapore, Malaysia, Thailand and Indonesia, it has given rise to a positive growth in our Fish revenue contribution. The improvement, however, was offset by the intense price competition from the sales of Dragon Fish since the beginning of the year, which has resulted in a continuous decline in its selling price, albeit the concerted marketing efforts to sell more quantity of these fish. This has, to some extent, affected the overall Fish revenue contribution in FY 2018.



PROFITABILITY

Notwithstanding the lower revenue contribution from the Fish business in FY 2018, the difference in sales mix, coupled with the reliance and resilience of our ornamental fish export business, continued to generate respectable profit margins. The profits delivered by the new aquaculture business has also lifted the profitability of the Fish business during the financial year.



Financial Review

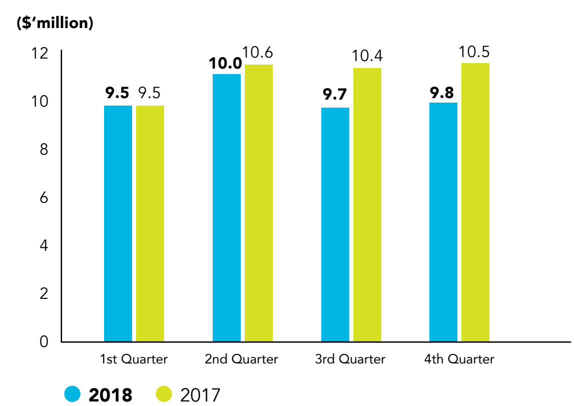
ACCESSORIES

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 20 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.

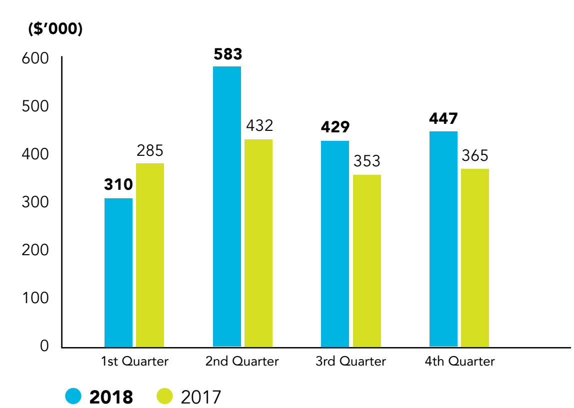
REVENUE

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 subsidiary in Shanghai in FY 2018, with the intention to consolidate and to streamline the Group's accessories operations in China, so as to trim down operating costs and work towards a more efficient and effective inventory management system and logistic framework.



PROFITABILITY

Despite lower revenue registered during the financial year, the better profit yielded from the Accessories activities was primarily due to conscientious efforts made to capture more markets through the selling of more proprietary brand of innovative products which turned in better margins.

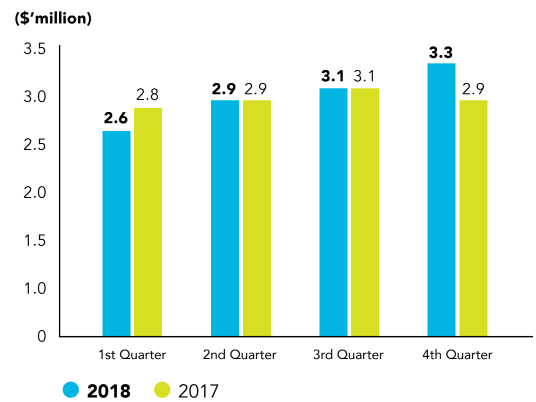


PLASTICS

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.

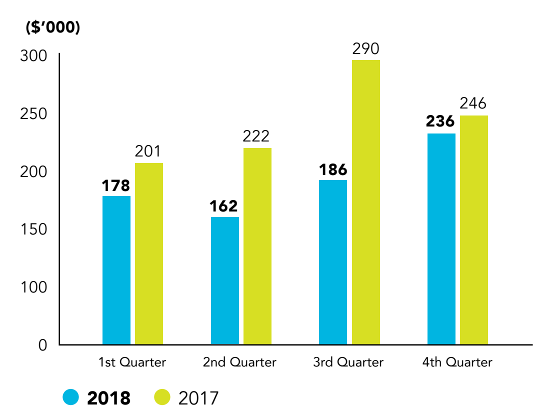
REVENUE

Revenue from Plastics activities continued its growth momentum in FY 2018. With the enlarged customer base and the sales of more varieties of plastic products, the revenue contribution from this business segment managed to register a steady increase during the financial year.



PROFITABILITY

While there was higher revenue generated from the Plastic business, its profitability was affected by the gradual increase in overall operational costs during the financial year.



Financial Review

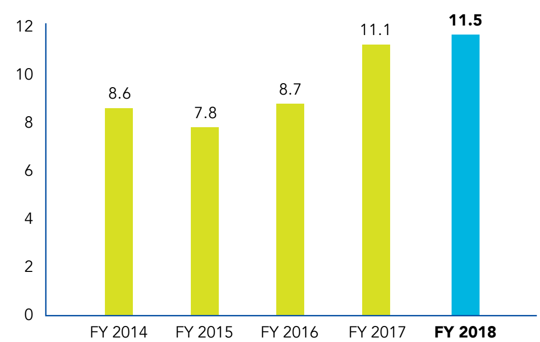
Capital Management and Shareholders' Returns

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. 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 2018, 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 $26.5 million (31/12/17: $24.3 million) of which approximately $17.1 million (31/12/17: $15.8 million) was utilised.

CASH AND CASH EQUIVALENTS

Overall, the Group's cash and cash equivalents increased by approximately $0.4 million in FY 2018 to $11.5 million as compared to approximately $11.1 million a year ago.



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

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

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

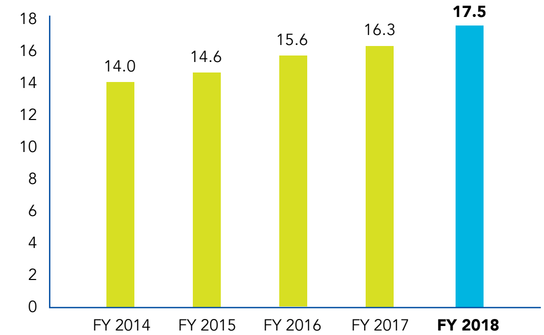
Net cash from financing activities in FY 2018 was related to cash proceeds received from additional drawdown of bank term loans which was mainly utilised for the payment of dividend to the non-controlling shareholders of a subsidiary, the settlement of bank term loans and finance lease liabilities on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

	2018 $'000	2017 $'000
Net cash from operating activities	514	6,725
Net cash used in investing activities	(883)	(4,635)
Net cash from financing activities	722	304
Net increase in cash and cash equivalents	353	2,394
Cash and cash equivalents as at end of year	**11,491**	**11,124**

LOANS AND BORROWINGS

The Group borrows from local and foreign banks mainly in the form of short-term and long-term loans. It is in compliance with all borrowing covenants for the financial year ended 31 December 2018.

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



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

The weighted average effective interest rates relating to **bills payable to banks** is 5.22% (31/12/2017: 5.04%) 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 2.53% to 3.00% (31/12/2017: 1.97% to 3.00%) per annum and are repayable within the next 12 months from the financial year end.

The **long-term loan** has been fully settled in FY 2018.

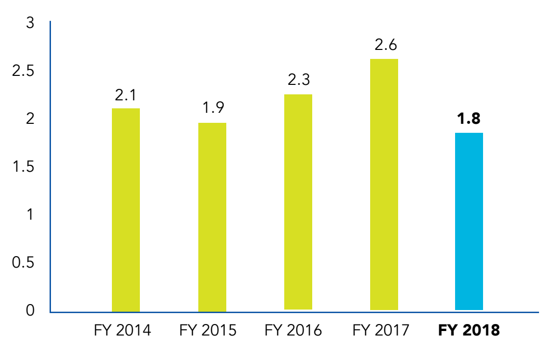
	2018 $'000	**2017 $'000**
Current liabilities:		
Bills payable to banks (unsecured)	407	766
Finance lease liabilities	223	208
Short-term bank loans (unsecured)	16,700	15,000
Long-term bank loan (secured)	-	65
	17,330	16,039
Non-current liabilities:		
Finance lease liabilities	216	246
Total borrowings	**17,546**	**16,285**

Financial Review

CAPITAL EXPENDITURE

In FY 2018, there was $0.8 million of capital expenditure incurred in relation to the new breeding farm located in Thailand and a new warehouse facility in Singapore. Another $0.4 million incurred was in relation to the purchase of motor vehicle. In addition, there were on-going improvements to infrastructure and construction work undertaken overseas on the farm facilities so as to enhance operational efficiency.

CAPITAL EXPENDITURE ($'million)



SHAREHOLDERS' RETURNS

The Company's priority is to achieve long-term capital growth for the benefit of the shareholders. The bulk of its 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 dividend to reward its shareholders for their loyalty and support to the Company over the years. As such, it has not set a concrete dividend policy at present.

Qian Hu paid a final cash dividend of 0.2 Singapore cents per ordinary share for the financial year 2017. For the financial year ended 31 December 2018, the Directors are pleased to declare a final dividend of 0.2 Singapore cents per ordinary share (one-tier tax exempt), paying up to almost 57% 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 28 March 2019, will be paid out on 25 April 2019.

The Group does not have a concrete dividend policy at present. The proposed dividend took into consideration the Group's profit growth, cash position, positive cash flow generated from operations and the projected capital requirements for business growth and other relevant factors.

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

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 (up to $100 million) category
– 2003: Winner in Services/Utilities/Agriculture category & Golden Circle Special Merit Award
– 2004: Winner in Mainboard Small Caps (up to $100 million) category & Runner-up in Services/Utilities/Agriculture category
– 2005-2006: Runner-up in Mainboard Small Caps (up to $100 million) category
– 2007-2011: 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, 2004-2008: 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

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Report Scope

Overview of Report

We are committed to pursuing a business strategy, operational best-practices and group policies that have as its ultimate goal the long-term sustainable growth and viability of our business and its positive impact on the communities and environment around us.

This is our second year of sustainability reporting and as with our inaugural sustainability report, we address the activities, data and measurements, where applicable, that fall within our financial year of reporting from 1 January to 31 December 2018. Unless otherwise stated, the Sustainability Report 2018 (or "the Report") covers our markets of operations namely Singapore, Malaysia, China, Thailand and Indonesia. All figures are represented in Singapore dollars.

REPORTING 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 in accordance with the latest Global Reporting Initiatives ("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 at the end of the report, indicating the location of the applicable disclosures within the Report.

ASSURANCE

We did not obtain external assurance for the Report. We have relied on our internal verification mechanisms for the veracity and accuracy of the Report. Our Financial Statements have, however, been independently audited. We will be seeking assurance in future, adopting a phased approach to our reporting, making progressive improvements to our reporting process.

FEEDBACK

We welcome stakeholders' comments, views and suggestions on this report. These and other queries can be addressed to feedback@quianhu.com.

Message from The Board

We are an organisation that seeks to always add value, whether it is to our shareholders in the form of returns on investments, to our customers in terms of providing the best goods and services or to the wider community at large, in terms of giving back through our outreach efforts and through our environmental awareness and sustainability practices.

This is our second sustainability report prepared in accordance with the SGX-ST Listing Rules, although we have been reporting on our sustainability issues as far back as 2011. This year, we have sought to improve on our report, giving the requisite "descriptive and quantitative information on how business is conducted" and how our environmental, social and governance factors ("ESG") are being managed for a sustainable future, in compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules and Sustainability Reporting Guide.

Beyond just compliance with the Rules, as an organisation, we have wholeheartedly embraced the responsibility which we have towards all our stakeholders and the wider community of building an organisation that is aware of its financial, social and environmental obligations. Towards this end, our approach to sustainability remains, as was set out in our FY 2017 report, guided by attentiveness to stakeholders' needs, identification of key ESG factors and adherence to the sustainable framework we had put in place to track our progress.

While striving to comply with the SGX-ST listing guidelines and using the internationally accepted GRI Standards as a reporting framework, our efforts are a work in progress which we hope to incrementally improve upon over time.

Sincerely,
Board of Directors
Qian Hu Corporation Limited

Our Approach & Strategy

Governance Structure

As our priority in our sustainability efforts remains to protect the long-term interests of shareholders and value creation for our company and stakeholders, a dedicated sustainability structure was implemented to drive, govern and manage the sustainability function.

At the core of the sustainability structure is a Sustainability Reporting Team. Our Sustainability Reporting Team is made up of a representative from each of our operating entities in Singapore, Malaysia, Thailand, Indonesia and China. The team is managed by our Managing Director who reports to the Board of Directors. The team is actively involved in driving the 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 and working 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 maintains the overall oversight of the Group's sustainability direction. The Board reviews the sustainability strategy annually and considers this together with the overall Group strategy, so as to take into consideration prevailing trends, economic conditions and geopolitical issues which may affect the Group. It is kept apprised of the sustainability programmes, activities and progress regularly.

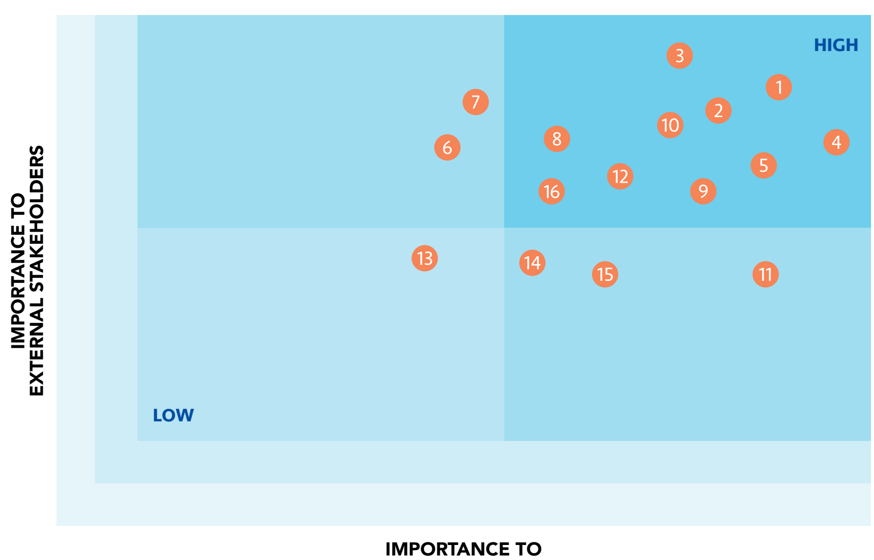
Defining Material Issues

In identifying the key ESG 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 painstaking 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 carefully 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 are reviewed yearly in the context of the prevailing global, economic, and business conditions. The material issues identified and their prioritisation remain unchanged from last year's report.

The following are the material factors identified and prioritised.



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

Engaging Stakeholders

We regularly engage our stakeholders through various medium and channels to ensure that our business interests are aligned with those of our stakeholders, to understand and address their concerns and to enable us to improve our own service and products 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. We have identified six stakeholder groups through an assessment of 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 email / 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 push notifications • 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 relations 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 • Quarterly financial results announcements • Half-yearly analyst & media financial results briefing, media release 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 AVA on statutory requirements and new developments in the ornamental fish sector

Our Focus, Commitments & Targets

Having identified the materiality factors and our 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 to increase our value creation for all our stakeholders and to have a positive impact on the environment at large, while managing the Group's risk, leveraging on opportunities and ensuring its long-term financial soundness. We remain committed to setting and achieving measurable targets and goals, although we are taking a phased approach to our reporting.

FOCUS	IMPACT TO STAKEHOLDERS	2018 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 utilization and its corresponding intensity - see page 49 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 4.24 (2017: 4.26) • 17 (2017: 11) 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 local talents under the direct hire of Qian Hu's offices and operations in Singapore. 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 4.57 (2017: 4.67) • No incident of corruption and fraud • No incident of whistle-blowing • 24 hours of training hours per employee • Employees' average monthly turnover rate – see page 59 of this Annual Report • Zero fatalities and workplace accidents reported	• Clear employees' rights set out in Staff Handbook distribute 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 license to operate and is also relevant to many of our stakeholders.	• 164 hours (2017: 158 hours) in community involvement by employees • Analyst and media briefings held on 16 July 2018 and 11 January 2019	• Ensure all communications platforms are clearly set out and are available • Increase percentage of employee participation in community initiatives • Half-yearly analyst and media briefings in conjunction with the release of the Group's half year and full year 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 Apr (1Q 2018), 16 Jul (2Q 2018), 16 Oct (3Q 2018) and 11 Jan (FY 2018) • No incident of legal non-compliance	• Commitment to release financial results early - 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
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 – $85.7 million (2017: $87.8 million) • EBITDA – $3.4 million (2017: $3.1 million) • Profit attributable to owners of the Company - $0.4 million (2017: $0.3 million) • Earnings per share – 0.35 cents (2017: 0.29 cents) • Net assets value per share – 44.75 cents (2017: 45.48 cents) • Final dividend of 0.2 cents per share – totaling approximately $227K (2017: 0.2 cents)	• Revenue and profit growth • New business initiatives • Sustainable dividend payout • Prudent capital management

Environmental Initiatives

Environmental Compliance

We are committed to environmental preservation and aim to minimise the impact our business has on the environment. We proactively seek to implement practices that will lead to the sustainable use of resources, striking a balance between the need to use natural resources, given the nature of our business, and the need to preserve the natural habitat. While seeking to maximise economic gains for the organisation, we also seek to maximise our efforts at addressing environmental issues particularly those related to our business activities.

We take all necessary measures 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 are in compliance with the environmental regulations set out by the local governing authorities – the Agri-Food & Veterinary Authority of Singapore, the National Environment Agency, and the National Parks Board, to name but a few.

In 2018, we completed our EMS14001:2004 transition to the new ISO14001:2015 standard as part of the surveillance audit by SGS Singapore, the world's leading inspection, verification, testing and certification company, having transitioned to ISO9001:2015 standard the previous year.

We monitor, evaluate and audit our Environmental Management System, which has met the regulatory requirements of the ISO 14001:2015 (environmental management). 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 standards such as CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) and ISO9001:2015.

We continue to maintain a feedback channel through which the public can make enquiries or lodge complaints with respect to any environmental or other matters at **feedback@qianhu.com**.

Energy Consumption

As a responsible business entity, we seek ways to reduce our energy consumption across our business entities. Besides closely monitoring our energy usage and implementing simple measures in some entities such as switching off the air-conditioner during lunch time, we make use of alternative sources of energy, namely tapping on natural solar power. One of our subsidiaries in China has installed solar panels, comprised of 1,200 pieces of solar tubes, to supplement energy for the tropical fish room operations during winter months, cutting down the usage of electricity.

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

Environmental Initiatives

Water Management

Due to the nature of our business, water is one of our most used natural resources. As such, our focus has always been on finding ways to reduce water usage and reuse water to minimise water wastage. Our ultimate goal, to 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 re-use 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 steriliser 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 significant reduction in water usage, the system also enables energy savings as in using this system, minimal maintenance is needed for the tanks. We have also reduced the amount of waste water discharged by 7% in FY 2018, thus reducing the release of waste and effluents into the environment.

In FY 2017, over 90% of our water consumption was from recycled water that is channelled from our in-house rainwater catchment areas built within our farms. In FY 2018, we have managed to increase this to 95%.

We have installed a new water treatment system for the water storage tanks in the farm in Singapore. The system uses a bacteria nitrification process to reduce the water ammonia and nitrate levels and also increase the dissolved oxygen to improve water quality, thus facilitating the efficient use of stored water.

Additionally, using our Hydro-Pure technology, we have been able to reuse seawater for our aquaculture farms in Hainan after it has been treated, reducing our seawater usage by about 20%.

A significant step in our efforts to create an environment where all the water we use will be recycled and reused, with little or no wastage, is the commencement of the testing of our Hydra Prime recirculation system, which will reduce the need to change water within an enclosed tank.

Recycling and Reuse of Material

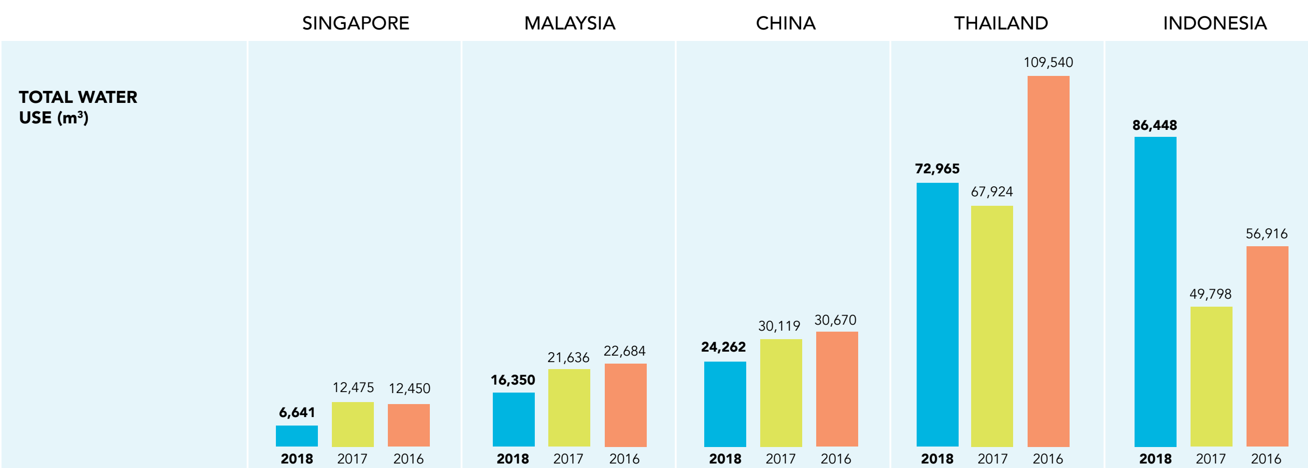
Across the Group, there is a concerted and combined effort to reduce wastage through recycling and reuse of material in accordance with a waste management programme to track wastage, pursue recycling initiatives and reduce the use of environmentally unfriendly or damaging materials. Additionally, our various operations in different countries have their own initiatives to recycle and reuse material.

In Singapore, staff are encouraged to sort waste according to material type and to recycle material such as papers, cartons, cans and plastics by placing them in appropriate bins to aid the recycling effort. We are also continuing to look for alternative packaging to styrofoam for fish transportation but with little success thus far. We will, nonetheless, continue our efforts in earnest to source for new types of more environmentally sustainable packaging which will minimise our carbon footprint.

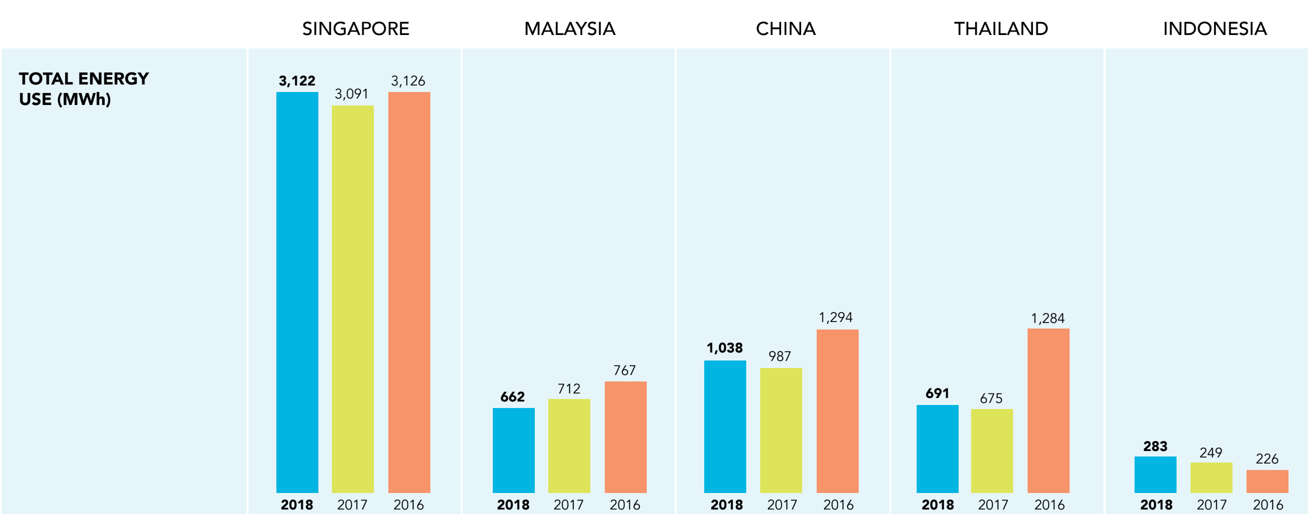
In Thailand, the reuse of plastic bags is encouraged with used plastic bags from the fish sourcing centres being sent back to the farms to be used again, thus cutting down the incidence of single use plastics. Similarly, in Malaysia, recycling of carton boxes and paper bags is actively practised.

Our subsidiary, Qian Hu Tat Leng Plastic Pte Ltd, which manufactures high and low density polyethylene bags across a wide range of commercial and industrial sectors collects cut-out plastic wastage during the manufacturing process. This is sent to a third-party for recycling. The recycled plastic resin is added back to the manufacturing mix once again, thus cutting down tremendously on wastage. In FY 2018, a total of 145 tonnes of plastic wastage was recycled, an improvement from 141 tonnes recycled in FY 2017.

ENVIRONMENTAL PERFORMANCE INDICATORS



	Singapore 2018	Singapore 2017	Singapore 2016	Malaysia 2018	Malaysia 2017	Malaysia 2016	China 2018	China 2017	China 2016	Thailand 2018	Thailand 2017	Thailand 2016	Indonesia 2018	Indonesia 2017	Indonesia 2016
WATER USE INTENSITY (m^3/m^2)	**0.11**	0.20	0.20	**3.14**	4.15	4.41	**1.17**	2.15	2.86	**8.58**	11.73	12.89	**68.39**	39.40	45.03



	Singapore 2018	Singapore 2017	Singapore 2016	Malaysia 2018	Malaysia 2017	Malaysia 2016	China 2018	China 2017	China 2016	Thailand 2018	Thailand 2017	Thailand 2016	Indonesia 2018	Indonesia 2017	Indonesia 2016
ENERGY USE INTENSITY (kWh/m^2)	**50**	49	50	**127**	137	149	**50**	70	121	**81**	79	151	**224**	197	179

Supply Chain Management

Engaging Our Suppliers

We depend on our continued engagement and cooperation with our suppliers for us to effectively pursue sustainable practices. They are an integral part of our purchasing process and supply chain management which in turn is key to our long-term growth and sustainability.

We engage with our suppliers regularly, using various touchpoints. One of the most important points of contact is through regular meetings, which is 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 carefully select our suppliers based on track record. They are endorsed 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. These governing principles are 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 2018, we engaged approximately 855 suppliers, as compared to 915 suppliers in FY 2017, 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 fish, 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 / SERVICE	DISTRIBUTION	CUSTOMERS
Ornamental Fish	487	• Import & export of ornamental fish	• Own stores • Distributors • Retailers • Direct Sales • Online	• Retail stores • Hobbyists • General consumers e.g. families
Accessories	321	• 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	7	• Edible fish fingerlings • Seafood products	• Secondary breeders • Retailers	• Secondary breeders • General consumers

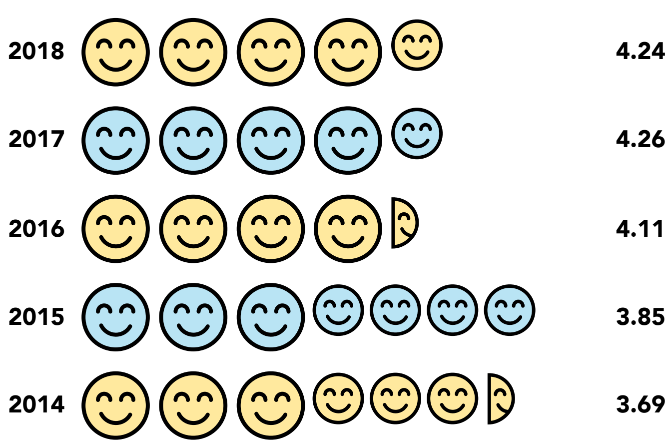
Customer Satisfaction

We are committed to providing our customers with reliable service, high quality products and responsive after sales care. With a customer base spanning more than 80 countries and with the nature of our products, including mainly the distribution of ornamental fish and accessories, logistic issues like flight accessibility and connectivity are important components of timeliness of delivery and low DOA (dead-on-arrivals). With a wide distribution network, we are able to maintain a high level of efficiency in the delivery of our products.

We engage our customers across a multitude of platforms such as through 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 and their problems or difficulties attended to.

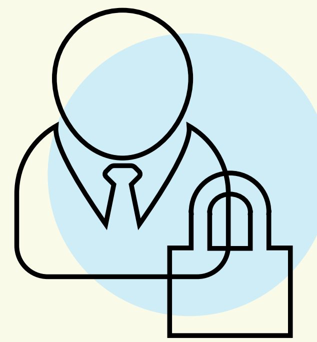
Our customers are our priority and their satisfaction is monitored and tracked closely throughout the Group in order to address any shortcomings in our service and product standards, continually improve on our customer relationships and ensure their satisfaction with our offerings. At Qian Hu, we measure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

CUSTOMER SATISFACTION INDEX



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 divisions and organisations in our 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 2018.

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

Supply Chain Management

Product Health Management

CONSUMER HEALTH & SAFETY

Consumer health and safety are of paramount importance to us. We carry more than 3,000 types of fish, aquarium, pet accessories and products which are exported and sold in more than 80 countries to a wide audience. As such, any non-compliance with health and safety issues will have far-reaching consequence, not only in terms of the well-being of our customers and the community at large, but also in terms of the damage 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 as 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 complaint 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 a purveyor of a multitude of fish food, fish medication, pet accessories and other related products, we are mindful of providing accurate and adequate information about these products. In particular, we are transparent about the sustainability impacts of our products, through our labelling and other packaging information, in order for consumers to make informed choices and to encourage sustainable consumption for the good of the environment. Some of our products, such as our cat litter, already utilise environmentally-friendly material, such as 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 content on our labelling so as to provide necessary information for our customers to make the best choices for their pets and for the environment.

In FY 2018, to the best of our knowledge, there has 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 collateral 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.

Additionally, 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. We believe in responsible marketing and communications as non-compliance to these issues will result in loss of customer confidence and loyalty, and financial implications to Qian Hu's business. These factors are material to the success of our business, and we take a serious view of ensuring our product information is presented in a factually accurate manner.

For the year under review, 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

An innovative spirit is what drives Qian Hu and enables 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 permeates all ranks of our organisation and we encourage new ideas and feedback.

In FY 2018, the spirit of innovation was alive and well in Qian Hu and we are happy to report the following breakthroughs in our product segments.

Ornamental Fish	• New generation of Albino Arowana - the 4th generation of Albino Silver Arowana exhibits improvement on its overall colours, from its eyes to its scales.
Aquarium Accessories	• Arowana Genesis Tank - True full view tank design with special Anti-backflow device • Spectra Koi LED light - Specially formulated light spectrum beneficial for enhancing the body colors of Koi fishes • Variable Frequency Water Pumps- Super energy efficient high flow rate water pumps • Hydra PRIME water purification system - For large scale applications, especially for koi pond systems
Pet Accessories	• Aristo-Cats® Premium Plus Tuna Series Can Food, wet cat food using the freshest raw materials in nine choice combinations • Aristo-Cats® Tofu Cat Litter using tofu is environmentally friendly, biodegradable and toilet flushable, with ability to absorb liquid up to three times its weight • Bark® Pet Sheet has better absorption capabilities, effective odour removal and anti-bacterial properties

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 feed
- Large-scale Arowana Tank System

Labour Practices & Conducive Workplace

Our Human Resource Philosophy

We embrace the philosophy of "People First" as we recognise that at the heart of our organisation and in our efforts to continue to be a leader in our industry, our human resource is our greatest asset. We have been recognised as a People Developer and have been 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 so as to ensure 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 to imbue a spirit of creativity and adventure in their work.

Anti-Corruption

Qian Hu respects all prevailing anti-corruption legislation in all the markets in which we operate. We adopt a zero tolerance approach to any form of bribery and corruption and will not hesitate to take all necessary action against any such acts. 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. 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 have a set of guidelines for our employees to comply with regarding the receipt and giving of gifts, entertainment, sponsorships and charitable contributions during the course of work. The guidelines are readily accessible on our Employee Portal.

In the financial year under review, we have not received any report of corruption or cases of suspected corruption.

Upholding Human Rights

We are committed to upholding and supporting internationally-accepted human rights principles, including those related to child labour, forced labour and human trafficking. We are in compliance with the Singapore Prevention Against Human Trafficking Act 2014 (Chapter 45) and other prevailing legislation 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 there are no employees covered under collective bargaining agreements.

We have not received any reports of labour or human rights violations by the Group or its subsidiaries in the reporting period under review.

Corporate Values & Business Conduct

Unethical and unlawful behaviour can have far-reaching impact for our Group, both in terms of financial and legal consequences as well as in terms of brand reputation. As such, all employees have to abide strictly by our Code of Conduct and Business Ethics and strict 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.

CODE OF BUSINESS ETHICS AND CONDUCT

- Zero-tolerance against corruption, fraud, insider trading, theft or bribery
- Compliance with the Company's internal policies, including those relating to transparent accounting, appropriate disclosures, and internal controls
- Maintaining the Company's policies around workplace health, safety measures that might endanger the life or safety of fellow employees
- Committed to fair and respectful working conditions without discrimination
- General code of conduct in terms of handling of Company property, assets and disclosure of information or trade secrets of the Company without permission

Non-Discrimination & Diversity

We employ and provide development opportunities for people based on the necessary skills, experience and work ethics which will enable them 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 promulgated by the Tripartite Alliance for Fair Employment Practices ("TAFEP"), an alliance 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 benefits to all our full-time as well as part-time employees, 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 be limiting female or other minority engagement within our organisation.

Older workers represent another facet of a diverse workforce. To date, 14.0% 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.

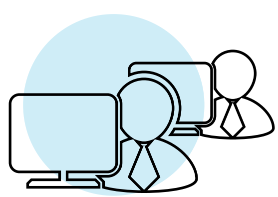
In the financial year under review, we had no alleged or actual cases of discrimination raised.

Total of 507 employees

as at 31 December 2018

184
based in Singapore.

The rest from overseas subsidiaries in Malaysia, China, Thailand and Indonesia

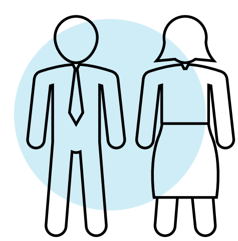


21.9%
5 - 10 years of service

27.8%
more than 10 years of service

66.6%
Male

33.4%
Female



14.0%
above 50 years of age

Labour Practices & Conducive Workplace

Workplace Safety

The health and safety of our employees is a key priority for Qian Hu. 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 staff 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 staff 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 machine at our farm which enables our staff 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 farms including at our overseas operations. Regular fire drills and evacuation exercises are conducted in accordance with ISO1400:2015 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 are below the industrial standard, and we continue to endeavour to lower these rates.

Employee Engagement

We maintain open and ongoing channels of communication with our employees recognising that such platforms enable employees 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

Various communication channels are maintained which allows us to build stronger working relationships within the organisation. An Employee Opinion Survey offers an avenue for gathering feedback and opinion on the leadership performance of senior management. It also allows management to monitor areas which need improvement.

EMPLOYEE SATISFACTION INDEX

4.57	**2018**
4.67	**2017**
4.57	**2016**
4.44	**2015**
4.44	**2014**

A staff suggestion scheme is also in place for employees to provide ideas for improvement.

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

We publish an in-house newsletter, "FISH MATRIX" on a bi-annual basis which is disseminated to all employees and made available on our website. 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 broadcast have been positively received by employees as they are kept abreast of developments in a seamless manner with messages pushed out to them.

Our subsidiaries and divisions utilise popular chat platforms in their respective markets, such as WeChat and LINE messenger, to set up company-wide chat groups so as to exchange information.

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 2018, there were no known incidents of non-compliance with our Code of Business Ethics or whistle-blowing cases in Qian Hu.

EMPLOYEE WELFARE

For the well-being of our employees, we organise various health and wellness programmes throughout the year. In Singapore, employees' health checks, recreational and activities, such as health cooking sessions and fitness programmes as well as monthly employee birthday celebrations were organised to foster bonding among the employees and to promote relaxation outside of work.

Our various subsidiaries overseas, likewise, have their own employee well-being 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.

Labour Practices & Conducive Workplace

Training & Education

Employee training and education is a core component of our human resource initiative. We provide training and educational programmes to ensure our staff 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 remain 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, in terms of participation rates and training intensity as defined by the Ministry of Manpower, Qian Hu's has met or exceeded these measurements.

Training budget is pegged at approximately

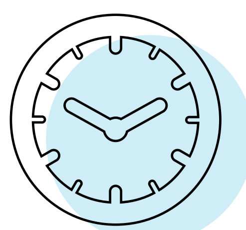
4%

of our total payroll

Each employee spent approximately

24 hours

on average in training in FY 2018



SUCCESSION PLANNING

Qian Hu takes a long-term view of growth. Business continuity is essential to ensuring a sustainable future. Towards this end, we have put in place a structured succession programme to prepare a team of executives to ably lead the Group into the future.

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.

PEOPLE PERFORMANCE INDICATORS

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

Community Involvement

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 and to donate to selected charities. In April, they visited the Lee Ah Mooi Old Folks Home and in November, the Ling Kwang Home for senior citizens. Aside from visits, we also hosted elderly from Xin Yuan Community Care on our farm.

Qian Hu was also a corporate donor to various charitable courses. We were one of the Participating Enterprises in the Children's Society corporate giving programme, "1000 Enterprises for Children-In-Need" ("1000E") which aims to transform the lives of beneficiaries under its care. We also donated to the SG Enable Fund, which assists disabled persons through various initiatives.

Our overseas subsidiaries were not to be outdone in the area of corporate giving. Our Malaysian subsidiary supported animal shelters by donating dog food while employees from our China subsidiary visited an old folks home.

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 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. In FY 2018, he was invited by the Singapore Exchange Limited to be a panellist for an Corporate Governance event. He was also interviewed by the Fortune Magazine and served as a regular contributor to the major Chinese business daily, Lianhe Zaobao. He was a keynote speaker at the West Spring Secondary School and was a participant in a feedback group for a research project for Enterprise Singapore undertaken by Korn Ferry.

Our senior management team members are also actively engaged in various committees, and in sharing with others our business excellence journey. They played an active role in connecting with the broader industry ecosystem to share knowledge, network contacts, resources and best practices. In FY 2018, they conducted five sharing sessions with about 240 particpants 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.

1000 ENTERPRISES FOR CHILDREN-IN-NEED
2017 Principal Enterprise
An initiative by Singapore Children's Society

In FY 2018, Qian Hu has committed more than **164 hours** on community initiatives

Investor Relations

A key responsibility as a listed entity is to communicate our financial performance, business strategies and other relevant corporate information in a timely, transparent and accurate manner to our stakeholders, especially our shareholders, and the investment community at large. 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. The numerous Corporate Awards we have garnered bear testament to our efforts in this area. Furthermore, our scores over the years in the Singapore Governance and Transparency Index, the leading index for assessing corporate governance practices of Singapore-listed companies, have placed us in the top tier of the rankings.

We are committed to ensuring that our quarterly unaudited financial results are released expediently, within 20 days from the end of each quarter and our audited financial results within 15 days from the financial year end. We have, in fact, bettered our target for the past five years by releasing our audited results within an average of 12 days after the end of the financial period. Our results announcements are accompanied by press releases in both English and Chinese, and summarising the highlights of the results and the explanation behind the Group's performance. For the full-year results, we equip the investors public with a "mini annual report" which is a compilation of the financial and related materials for the 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.

A key component of our shareholder communication is the Annual General Meeting ("AGM"). We have developed several channels, including our website, email or fax, for shareholders who are unable to attend the AGM to contribute their feedback or give inputs. Detailed minutes of the AGM are posted on the Group's website and on the SGX website within three business days of the meeting.

Ongoing communication with the investment community is a cornerstone of our investor relations programme. Briefings by senior management for analysts, fund managers and media are held twice yearly, together with the release of our half-year and full-year results. Senior management presents the results in a coherent manner, with a PowerPoint presentation that elucidates the Group's performance. Delayed webcasts are also available for those unable to attend the briefing. These facilitate impartial, insightful and accurate reports on the investment merits of Qian Hu for the investing community and the general public.

Meetings and communication are not confined to these briefings. Outside of the financial announcement periods, when necessary and appropriate, 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 given on pertinent topics and to share the Group's strategies, new corporate developments or industry trends with the wider community.

Additionally, we maintain an open and easily accessible channel for investor queries through a dedicated investor relations email address. 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. Our investor relations team ensures timely responses to queries, suggestions and clarifications from shareholders and other stakeholders, which goes a long way towards building trust and confidence in the Group.

FINANCIAL CALENDAR

FY 2018	FY 2019	
12 Jan	11 Jan	• Full-year Results Announcement • Media & Analyst Briefing
28 Feb	28 Feb	• Despatch of Annual Report
28 Mar	28 Mar	• Annual General Meeting
16 Apr	17 Apr	• 1Q Results Announcement
25 Apr	25 Apr	• Payment of dividend (Subject to Shareholders' approval at AGM)
16 Jul	17 Jul	• 2Q Results Announcement • Media & Analyst Briefing
16 Oct	16 Oct	• 3Q Results Announcement

Mr Kenny Yap, Executive Chairman and Managing Director, received the "Best Annual Report Award – Gold" at the Singapore Corporate Awards 2018.

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, set out in a tabular form, describes the Group's corporate governance structures and practices that were in place throughout the financial year ended 31 December 2018, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") issued in May 2012, which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited.

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

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to Annual Reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

I. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
1.1 The Board's role is to: (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives; (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets; (c) review management performance; (d) identify the key shareholder groups and recognise that their perceptions affect the company's reputation; (e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.	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 2018, 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; • 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 42 to 100 of this Annual Report); and • assume responsibility for corporate governance.
1.2 All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.	All directors 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.
1.3 The Board may delegate the authority to make decisions to any board committee but without abdicating its responsibility. Any such delegation should be disclosed.	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. Any change to the term of reference for any Board Committee requires the specific written approval of the Board. 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. Details on Board's delegation are set out in Guideline 1.5. Please refer to Table 1 – Board and Board Committees.

Corporate Governance Report

Guidelines of the Code	Qian Hu Corporate Governance practices
1.4 The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's Annual Report.	The dates of meetings of all the Board and Board Committee meetings as well as the Annual General Meeting ("AGM") for the next calendar year are planned well in advance. The Board meets at least four times in a year. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. The Constitution of the Company provide for directors to conduct meetings by teleconferencing or videoconferencing. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circulating resolutions. Please refer to Table 2 – Attendance at Board and Board Committee Meetings.
1.5 Every company should prepare a document with guidelines setting forth: (a) the matters reserved for the Board's decision; and (b) clear directions to Management on matters that must be approved by the Board. The types of material transactions that require board approval under such guidelines should be disclosed in the company's Annual Report.	The Group has adopted internal guidelines governing matters that require the Board's approval. 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 Delegation of Authority matrix forms a guideline and provides clear directions on matters requiring Board's approval which 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, declaration of dividends and other returns to shareholders; • 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.
1.6 Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the company's business and governance practices. The company should provide training for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate. It is equally important that all directors should receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.	There were no incoming directors during the course of the financial year. 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 ("SID"). 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 the directors.

Guidelines of the Code	Qian Hu Corporate Governance practices
	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 2018*** The details of update sessions, seminars, conferences and training programmes attended by the directors collectively in FY 2018 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 • Workshop on "Sustainability Reporting – A Practical and Cost Effective Implementation Approach" conducted by LeQuanto Pte Ltd • Corporate Governance Code Briefing: Understanding the Revised Code and Listing Rules changes, organised by the Singapore Institute of Directors ("SID") • SID Directors Conference 2018: Rebooting Globalisation, organised by SID • PAIB Conference 2108: Championing Growth in the Transformation Wave, organised by the Institute of Singapore Chartered Accountants ("ISCA") • Launch of "Singapore Directorship Report 2018 & Corporate Governance Guides for Boards in Singapore 2018 Edition" organised by the SID
1.7 Upon appointment of each director, the company should provide a formal letter to the director, setting out the director's duties and obligations.	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. No new director was appointed in FY 2018.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guidelines of the Code	Qian Hu Corporate Governance practices
2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	The Board comprises eight directors of whom four are independent directors. Please refer to Table 1 – Board and Board Committee.
2.2 The independent directors should make up at least half of the Board where: (a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director.	Where the Chairman and the CEO is the same person, the independent directors shall make up at least half of the Board. The Company has complied with the relevant guideline of the Code as half of the Board members are independent directors.

Corporate Governance Report

Guidelines of the Code	Qian Hu Corporate Governance practices
2.3 An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. If the Board wishes to consider the director as independent, in spite of the existence of one or more of these relationships as defined in the Code, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.	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 Code, considered whether a director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgments. 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 Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. During the financial year, the Group 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 judgement in the best interest of the Company by Mr Chang in the discharge of his duties as directors. As such, he should be deemed independent. Accordingly, the NC has determined that all the four non-executive directors are independent. With four of the eight directors deemed to be independent, including independence from the substantial shareholders of the Company, the Board is able to exercise independent and objective judgment on corporate affairs. 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 shareholders. No individual or small group of individuals dominates the Board's decision making. The Board has no dissenting view on the "Letter From the Chairman" to the shareholders as set out on pages 12 to 14 of this Annual Report for the financial year under review.
2.4 The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.	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 2018, 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.

Guidelines of the Code	Qian Hu Corporate Governance practices
2.5 The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, 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 should not be so large as to be unwieldy.	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 six 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. It provides sufficient diversity without interfering with efficient decision-making.
2.6 The Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.	The NC conducts its annual 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, there are two female directors out of a total of eight directors, representing 25% 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.
2.7 Non-executive directors should: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.	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. Accordingly, the non-executive directors, who are independent directors, actively help the Management in the development of strategic proposals and oversees the effective implementation by Management to achieve the objectives set. To ensure that the independent directors are kept well informed of the Group's business and are well supported by accurate, complete and timely information, they have unrestricted access to Management, and have sufficient time and resources to discharge their oversight functions effectively. The independent directors also receive board briefings on prospective deals and potential development at an early stage before formal board approval is sought, and in circulation on the relevant information on latest market development and trends, and key business initiatives in relation to the Group or the industries in which it operates.
2.8 To facilitate a more effective check on Management, non-executive directors are encouraged to meet regularly without the presence of Management.	During FY 2018, the independent directors met on a quarterly basis with the CEO and senior management to discuss matters such as the Group's financial performance, challenges facing the Group, succession planning as well as leadership development. At least once a year, the independent directors meet to discuss the performance of the Management and the remuneration of the Executive Directors without the presence of the Management.

Corporate Governance Report

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guidelines of the Code	Qian Hu Corporate Governance practices
3.1 The Chairman and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.	The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and Chairman of the Board 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.
3.2 The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role; (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (c) promote a culture of openness and debate at the Board; (d) ensure that the directors receive complete, adequate and timely information; (e) ensure effective communication with shareholders; (f) encourage constructive relations within the Board and between the Board and Management; (g) facilitate the effective contribution of non-executive directors in particular; and (h) promote high standards of corporate governance.	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 managing the day-to-day business operations of the Group, 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.
3.3 Every company should appoint an independent director to be the lead independent director where (a) the Chairman and the CEO is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team or; (d) the Chairman is not an independent director. The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the chief financial officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate.	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 and CEO or CFO has failed to resolve or is inappropriate.
3.4 Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.	The independent directors, led by the lead independent director, meet amongst themselves without the presence of the other directors where necessary, and the lead independent director will provide feedback to the Executive Chairman after such meetings, where appropriate.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
4.1 The Board should establish a NC to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.	The Board established the NC in July 2002 which consists of three independent directors. The NC Chairman is not associated in any way with the substantial shareholders of the Company. Please refer to Table 1 – Board and Board Committee – on the names of the members and the composition of the NC. The key terms of reference of the NC are set out on page 91 of this Annual Report.
4.2 The NC should make recommendations to the Board on relevant matters relating to : (a) the review of board succession plans for directors, in particular, the Chairman and for the CEO; (b) the development of a process for evaluation of the performance of the Board, its board committees and directors; (c) the review of training and professional development programs for the Board; and (d) the appointment and re-appointment of directors (including alternate directors, if applicable). Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.	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 key management personnel's succession and leadership development plans. ***Succession planning for Board and Management*** 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 key management personnel and for the Board. As part of this annual review, the successors to key positions are identified, and development plans are instituted for them. (more details are set out in the "Succession Planning" section on page 58 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, 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.

Guidelines of the Code	Qian Hu Corporate Governance practices
	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.
4.3 The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.	The NC is charged with determining the independence of the directors as set out under Guideline 2.3 and 2.4 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.
4.4 The NC should decide if a director is able to and has been adequately carrying 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. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.	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, who sits on multiple boards, 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 board appointments in FY 2018. 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.
4.5 Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director.	During FY 2018, there was no alternate director on the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
4.6 A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.	Please refer to Guideline 4.2 above.
4.7 The following information regarding directors, should be disclosed in the company's Annual Report: • academic and professional qualifications; • shareholding in the company and its related corporations; • board committees served on (as a member or chairman), date of first appointment and last re-appointment as a director; • directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments; • indicate which directors are executive, non-executive or considered by the NC to be independent; and • the names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions.	The key information of each member of the Board as required by the Guideline are set out on pages 16 and 19 of this Annual Report. The shareholdings of the individual directors of the Company are set out on page 102 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company. Directors who are seeking re-appointment at the forthcoming AGM to be held on 28 March 2019 are stated in the Notice of AGM set out on pages 193 to 196 of this Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Guidelines of the Code	Qian Hu Corporate Governance practices
5.1 Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.	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. ***Board Evaluation*** 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 ensue 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 2018, 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. 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 return.

Guidelines of the Code	Qian Hu Corporate Governance practices
	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 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. ***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.
5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholder value.	The NC has established guidelines and objective criteria to evaluate the Board's performance against qualitative and quantitative targets on an annual basis. Where there was any material divergence, underlying reasons were sought, recorded and action taken where appropriate.
5.3 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and board committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.	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. 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. Please refer to Guideline 5.1 above.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

6.1 Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.	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 Group's key management personnel. 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

Guidelines of the Code	Qian Hu Corporate Governance practices
	itself or discussed without papers being distributed. The Board papers provide sufficient background and explanatory information from the Management on financial impact, business strategies, risk analysis, 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. The directors have separate and independent access to the Company Secretary and to other key management personnel of the Group 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.
6.2 Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	The Board receives quarterly management financial statements, periodic cash flow projections, annual budgets and explanation on material forecasts variances to enable them to 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.
6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its board committees and between Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.	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 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.
6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole.	The appointment and the removal of the Company Secretary are subject to the approval of the Board.
6.5 The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, and at the company's expense.	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.

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Guidelines of the Code	Qian Hu Corporate Governance practices
7.1 The Board should establish a Remuneration Committee ("RC") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.	The Board established the RC in July 2002 which consists of three independent directors. Please refer to Table 1 – Board and Board Committee – on the names of the members and the composition of the RC. The key terms of reference of the RC are set out on page 91 of this Annual Report.
7.2 The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind.	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. It assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate talents without being excessive, and thereby maximise value for shareholders. 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. In addition, the RC reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment of and recommendation for remuneration and bonus.
7.3 If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.	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. During FY 2018, the RC did not require the service of an external remuneration consultant.
7.4 The RC should review the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.	The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC also aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guidelines of the Code	Qian Hu Corporate Governance practices
8.1 A significant and appropriate proportion of executive directors and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors and key management personnel's performance.	The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel 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 key management personnel) 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 package of the Executive Directors and the key management personnel 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.
8.2 The RC should encourage long-term incentive schemes and review whether executive directors and key management personnel are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.	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.

Corporate Governance Report

Guidelines of the Code	Qian Hu Corporate Governance practices
8.3 The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.	Non-Executive Directors receive directors' fees which consist of a basic retainer fees as director and an additional fee for serving on any of the Board Committees. The remuneration structure for Non-Executive Directors' fees, which is being reviewed by the RC periodically, is as follows: [see table below] The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2018 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. 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. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company. The Company does not have any share-based compensation scheme or any long-term incentive scheme involving the offer of shares in place to encourage independent directors to hold shares in the Company.
8.4 Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.	Having reviewed and considered the variable components of the Executive Directors and the key management personnel, 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.

Roles	Members (per annum)	Chairman (per annum)
Board of Directors	$8,000 – non-executive directors	Executive Chairman – no director's fee paid
Audit Committee	$6,000	Additional $6,000
Other Committees	$5,000	Additional $2,000

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Guidelines of the Code	Qian Hu Corporate Governance practices
9.1 The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.	Please refer to Table 3 – Remuneration of directors and top five key management personnel.
9.2 The company should fully disclose the remuneration of each individual director and the CEO on a named basis. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.	Please refer to Table 3.
9.3 The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of said top five key management personnel.	Please refer to Table 3.
9.4 The annual remuneration report should disclose, on a name basis, with clear indication of which director or the CEO the employee is related to, the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. Disclosure of remuneration should be in incremental bands of S$50,000.	Please refer to Table 3.
9.5 The annual remuneration report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies.	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 for reason as set out in Guideline 8.2 above.
9.6 The company should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance.	Please refer to Guideline 8.1 above.

Corporate Governance Report

III. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guidelines of the Code	Qian Hu Corporate Governance practices
10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	The Board reviews and approves the results as well as any announcements before its release. Shareholders are provided with the first three quarters and the full-year financial statements no later than 20 days from the end of the quarter and within 15 days from the financial year end respectively. In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospects. Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.
10.2 The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.	The Board review legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its interim quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. In addition, the Company had, pursuant to the amended Rule 720(1) of the Listing Manual of the SGX-ST, received undertakings from all its directors and executive officers that they each shall, in the exercise of their powers and duties as directors and officers comply with the best of their abilities with the provisions of the SGX-ST's listing rules, the Securities and Futures Act, the Code on Takeovers & Mergers, and the Companies Act and will also procure the Company to do so. For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the Group's financial statements. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal controls systems in place, including financial, operational, compliance and information technology controls. *(Please refer to Guideline 11.3 below)*
10.3 Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.	The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. All Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making. The Management also highlighted key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guidelines of the Code	Qian Hu Corporate Governance practices
11.1 The Board should determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	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 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 shareholder value creation process. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation. 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 92 to 97 of this Annual Report.
11.2 The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	The AC is assisted by the Risk Management Committee ("RMC"), which was formed 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. The key terms of reference of the RMC are set out on page 91 of this Annual Report. On an annual basis, the internal audit function prepares the internal audit plan taking into consideration the risks identified which is approved by the AC. In FY 2018, the AC reviewed the reports submitted by the internal auditors relating to the audits conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems put in place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, major control weaknesses on financial reporting identified in the course of the statutory audit, if any, are highlighted by the external auditors to the AC.

Corporate Governance Report

Guidelines of the Code	Qian Hu Corporate Governance practices
11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.	Please refer to Guideline 11.2 above. For the financial year under review, the CEO and the CFO have provided assurance to the Board that the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including financial, operational, compliance and information technology risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances. Based on 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 2018.
11.4 The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.	Please refer to Guideline 11.2 above.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.1 The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors. The Board should disclose in the company's Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.	The Board established the AC in October 2000 which now consists of four independent directors. Please refer to Table 1 – Board and Board Committee – on the names of the members and the composition of the AC. The key terms of reference of the AC are set out on page 91 of this Annual Report.
12.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.	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.
12.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.	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 key management personnel 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 2018 and all the Executive Directors are invited to attend the meetings.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.4 The duties of the AC should include:	
(a) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;	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
Revenue recognition - $85.7 million	The Audit Committee reviewed the methodology and gained comfort in this area through discussion with the Finance Director in relation to the operation of key financial controls such as cash and revenue reconciliations, as well as the application of appropriate controls relating to revenue cut off. The Committee also obtained an understanding on the work performed by the external auditors, including their assessment of the key controls in operation in relation to the internal control systems. As a result of the above procedures, the Committee was satisfied that correct accounting treatment has been adopted and consistently applied in the financial statements to ensure the completeness and accuracy of reported revenue.
Valuation of brooder stocks - $10.5 million (13.2% of Group's total assets)	In order to satisfy that the carrying value of the brooder stocks is 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 as the estimated recoverable amounts of the brooder stocks marginally 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 2018 and that the disclosures in the financial statements were appropriate.
Valuation of trade and other receivables - $29.0 million (36.3% of Group's total assets)	Included in the trade and other receivable balance as at 31 December 2018 was significant long outstanding amount due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") amounted to $10.0 million representing 34.5% of the trade and other receivables balances. 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 trade and other receivables balance is required as at 31 December 2018 and that the disclosures in the financial statements were appropriate.

Corporate Governance Report

Guidelines of the Code	Qian Hu Corporate Governance practices
(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);	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.
(c) reviewing the effectiveness of the company's internal audit function;	The AC annually reviews the adequacy and effectiveness of the internal audit function to ensure that the internal audit resources are adequate and that the internal audits are performed effectively. The AC examines the internal audit plans, 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.
(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and	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.
(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.	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.
12.5 The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.	The AC meets with the external auditors and the internal auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.
12.6 The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.	The AC undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit services provided and the fees paid to them. During FY 2018, there was no non-audit related work carried out by the external auditors; hence, there was no fee paid in this respect. The AC is satisfied with their independence and has recommended the re-appointment of the external auditors at the forthcoming AGM of the Company. The fees payable to auditors is set out on page 161 of this Annual Report. 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 standard and the effectiveness of the audits performed by the independent auditors, other than those of the Company.

Guidelines of the Code	Qian Hu Corporate Governance practices
12.7 The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be 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. The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.	The Company has established a **Code of Conduct and Business Ethics** that sets the principles of the code of conduct and business ethics 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, key management personnel 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 incidents pertaining to whistle-blowing during FY 2018 and until the date of this Annual Report.
12.8 The Board should disclose a summary of all the AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	During FY 2018, the AC has performed its duties as guided by the terms of reference which stipulate its principal functions. The primary role of the AC is to assist the Board in ensuring the integrity of the Group's financial reporting system and that an adequate and effective internal control system is in place. The AC reviewed the audit plans, evaluated the risk management framework and discussed regulatory compliance matters and accounting implications of any major transactions including significant financial reporting issues. It also assessed the internal audit functions to ensure that an effective system of control is maintained in the Group. On a quarterly basis, the AC reviewed the interested person transactions and the financial results announcements before their submission to the Board for approval. The AC is kept abreast by the Management and the external auditors of changes to the financial reporting standards, Listing Rules of the SGX-ST and other codes and regulations which could have an impact on the Group's business and financial statements, in addition to trainings and seminars conducted by professionals and external parties.
12.9 A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.	No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

Corporate Governance Report

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Guidelines of the Code	Qian Hu Corporate Governance practices
13.1 The Internal Auditor's ("IA") primary line of reporting should be to the AC Chairman although the Internal Auditor would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The Internal Auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.	The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal audit function of the Company is out-sourced to EisnerAmper PAC Singapore (formerly known as Saw Meng Tee & Partners PAC) since financial year ended 31 December 2013. The IA reports 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.
13.2 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff.	The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the IA is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function is adequately resourced to perform its function effectively.
13.3 The internal audit function should be staffed with persons with the relevant qualifications and experience.	The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.
13.4 The Internal Auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	The IA is a member of the Singapore branch of the Institute of Internal Auditors ("IIA"), an internal professional association for internal auditors which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.
13.5 The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.	The internal audit function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the IA may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns. Please refer to Guideline 12.4(c) above on the adequacy and effectiveness of the internal audit function.

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guidelines of the Code	Qian Hu Corporate Governance practices
14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.	The Company's corporate governance practices promote the fair and equitable treatment to all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares, so as to enable shareholders to make informed decisions in respect of their investments in Qian Hu.
14.2 Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders..	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 2018, 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. The Company conducts electronic poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were clearly explained by a representative from the independent scrutineer firm appointed at the general meetings. Each share is entitled to one vote.
14.3 Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	Pursuant to the provisions in the Constitution of the Company, shareholders who are not "relevant intermediaries" may appoint up to two proxies to attend, speak and vote on their behalf at the general meetings. Shareholders who are "relevant intermediaries", as defined in Section 181 of the Companies Act Cap.50, such as banks and capital markets service licence holders which provide custodial services for securities and the Central Provident Board ("CPF") which purchases shares on behalf of the CPF investors, are allowed to appoint more than two proxies. This is to facilitate indirect shareholders to participate in general meetings. Such indirect shareholders where so appointed as proxies, will have the same rights as direct shareholders to attend, speak and vote at the general meetings. In order to have a valid registration of proxy, a proxy form must be sent in advance to the place(s) as specified in the notice of the general meetings.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guidelines of the Code	Qian Hu Corporate Governance practices
15.1 Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	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. Full details of the Group's investor relations (IR) initiatives are set out on page 61 of this Annual Report.

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Guidelines of the Code	Qian Hu Corporate Governance practices
15.2 Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.	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, also contains various others investor-related information on the Company which serves as an important resource for investors.
15.3 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' 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 has a team of investor relations (IR) personnel who focus on facilitating the communications with all stakeholders – shareholders, analysts and media – 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 11 of this Annual Report as well as on the Company's website. The IR personnel have procedures in place for responding to investors' queries as soon as applicable.
15.4 The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings.	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.
15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.	The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board of directors has declared a final dividend of 0.2 Singapore cents per ordinary share for the financial year ended 31 December 2018.

Conduct of shareholder meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guidelines of the Code	Qian Hu Corporate Governance practices
16.1 Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.	The Company supports active shareholder participation at general meetings. The Annual Report 2018 will be distributed to all shareholders 28 days before the scheduled AGM 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 all shareholders to appoint proxies to attend and vote on their behalf through proxy form sent in advance. *(Please refer to Guideline 14.3 above).* 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.
16.2 There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.	Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.
16.3 All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.	All directors, including the Chairpersons of the Executive, Audit, Remuneration, Nominating and Risk Management Committees, are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees. The Company's external auditors, KPMG LLP, 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.
16.4 Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.	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 received from 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.
16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.	To promote greater transparency in the voting process, the Company has been conducting electronic poll voting for a number of years on all the resolutions passed at its AGM. Through the service provider's poll voting system, the total number of votes cast for and against and the respective percentages on each resolution were tallied and instantaneously displayed on the screen after each poll conducted during the AGM. An independent scrutineer firm was present to validate the votes at the AGM. The detailed results of the electronic poll voting on each resolution tabled at the AGM, including the total number of votes cast for or against each resolution, were announced after the AGM via SGXNET.

Corporate Governance Report

V. OTHER CORPOARTE 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 2018, 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. 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 page 165 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.

When a potential conflict of interest arises, the director concerned will declare his/her interests and does not participate in discussions and refrains from exercising any influence over other members of the Board.

TABLE 1 – 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	-	-	-	-
Andy Yap Ah Siong (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

TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

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 *	-	-	2
Alvin Yap Ah Seng	4	12	4 *	-	-	-
Andy Yap Ah Siong	4	12	4 *	-	-	-
Lai Chin Yee	4	12	4 *	-	-	2
Tan Tow Ee	4	-	4	-	2	2
Chang Weng Leong	4	-	4	1	2	-
Sharon Yeoh Kar Choo	4	-	4	1	2	-
Ling Kai Huat	4	-	4	1	-	2

* *Attendance by invitation of the Committee*

TABLE 3 – REMUNERATION TABLE

Remuneration of directors

The breakdown of the total remuneration of the Directors of the Company for the year ended 31 December 2018 is set out below:

Name of director	Salary	Bonus	Director's fees	Total remuneration
	$	**$**	**$**	**$**
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
	1,134,960	**-**	**108,000**	**1,242,960**

- The salary and bonus amounts shown are inclusive of 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.

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TABLE 3 – REMUNERATION TABLE (continued)

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 2018 is set out below:

Name of management personnel	Salary	Bonus	Allowances & benefits	Total remuneration
	$	$	$	$
Jimmy Tan Boon Kim	230,640	21,294	-	251,934
Yap Kim Choon*	189,360	-	-	189,360
Lee Kim Hwat	168,528	14,160	-	182,688
Low Eng Hua	150,240	-	-	150,240
Bob Goh Ngian Boon	127,440	11,232	-	138,672
	866,208	**46,686**	**-**	**912,864**

* *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 and Mr Andy Yap Ah Siong, the Executive Directors.*

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

Remuneration of immediate family members of CEO and Executive Directors (remuneration amounts exceed $50,000 per annum)

The breakdown of total remuneration of employees who are immediate family members of the CEO and the Executive Directors whose remuneration exceed $50,000 per annum for the year ended 31 December 2018 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 and Mr Andy Yap Ah Siong, the Executive Directors

APPENDIX – BOARD COMMITTEES' KEY TERMS OF REFERENCE

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 at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls.
- 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 cost effectiveness of the external audit, and where external auditors provide non-audit services to the Company, 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.
- 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.
- 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.
- Review the adequacy and effectiveness of the Company's internal audit function, at least annually.
- Ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, at least annually.
- Approve the hiring, removal evaluation and compensation of the outsourced internal audit function.
- Review the policy and arrangements by which employees of the Company 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.
- 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 an arm's length basis.
- Investigate any matters within the Audit Committee's purview, whenever it deems necessary.
- 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 Company'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.

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 Company.
- 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/CEO) and senior management personnel, including the training and professional development programmes for board members.
- Perform such other functions as the Board may determine.

RISK MANAGEMENT COMMITTEE

- Receive, as and when appropriate, reports and recommendations from management on risk tolerance and strategy, 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 management's responsiveness to the findings and recommendations of the internal risk division.
- Provide timely input to the Board on critical risk issues.
- Perform such other functions as the Board may determine.

Risk Management

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.

RISK MANAGEMENT PROCESS

1
Identify
Understand business strategies and identify risks

↓

2
Assess
Assess risk level based on impact and likelihood of occurrence

↓

3
Mitigate
Develop and agree action plans to mitigate key risks

↓

4
Implement
Communicate and implement action plans

↓

5
Monitor
Monitor and review

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

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
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.
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). Qian Hu has a proven track record and reputation associated with its investor/public relations efforts which has won itself many awards in various aspects. • Clear corporate mission statements and guiding principles are in place and communicated to all employees within the Group so as to uphold the reputation of the Group.

OPERATIONAL RISKS

Operational risks refer to persons, processes, product's 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 certification, 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

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 matching sales and purchases of the same currency and amount where practicable. • Foreign currencies received are kept in foreign currencies bank accounts and are converted to the respective measurement currencies of the Group's companies on a need-to basis so as to minimise foreign exchange exposure. • Currency translation risk, 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. • In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new bank borrowings, sell assets to reduce external borrowings, pay or adjust the amount of dividend payout or return capital to 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 Conduct and Business Ethics) 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 operations review; both report directly to the Audit Committee.

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 the necessary and up-to-date IT controls and governance practices, including the strengthening of network security such as updating security patches to the system and encrypting workstations.
- 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 2018.

In our opinion:

(a) the financial statements set out on pages 109 to 191 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 2018 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
Andy Yap Ah Siong
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		
	1/1/2018	31/12/2018	10/1/2019	1/1/2018	31/12/2018	10/1/2019
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	–	–	–
Andy Yap Ah Siong	3,925,000	3,925,000	3,925,000	–	–	–
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.

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 11 January 2019, 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.

Directors' Statement (cont'd)

In appointing our auditors for the Company, subsidiaries and associate, 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

11 January 2019

Independent Auditors' Report

Members of the Company
Qian Hu Corporation Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Qian Hu Corporation Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 109 to 191.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and the financial performance and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation of biological assets ($10.6 million)
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 has exerted downward pressure on the selling prices of dragon fish. This presents a risk that the brooder stock balance may not be recoverable, resulting in losses. Management performed an annual impairment review on brooder stock, which involves significant judgement in estimating future cash flows. Due to the level of judgement involved, this is one of the key areas that our audit focused on.	We considered the appropriateness of the valuation methodology and tested the information used by management. The key assumptions underlying the projected cash flows (including production yield and budgeted revenue growth) are challenged by comparing against historical information of the Group and consideration of other external and internal factors. Our valuation specialists are engaged to assess the reasonableness of the discount rate used. We tested the mathematical accuracy of the discounted cash flow model and evaluated the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the key assumptions. In addition, we evaluated the appropriateness of the relevant disclosure in relation to the valuation of biological assets.

Our findings
The key assumptions underlying the projected cash flows are comparable to the historical information of the Group and/or aligned with new internal, external factors noted. The Group's impairment review is dependent on the extent of the changes in all the key assumptions used. We found that the disclosure appropriately describes the inherent degree of judgement involved.

Valuation of trade and other receivables ($29.0 million) **Refer to Note 10 to the financial statements**	
The key audit matter	***How the matter was addressed in our audit***
The Group has significant and long outstanding receivables from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH) amounting to $10.0 million, representing 34% of total trade and other receivables. $7.3 million of this amount is guaranteed by a major shareholder and director of the Company. GZQH is a former subsidiary of the Group. No loss allowance was made for these balances as of the reporting date. The assessment of collectability of long outstanding receivables involves significant judgement of the debtors' ability to pay and the credit worthiness of their guarantors.	We assessed the recoverability of the amounts owing by GZQH with reference to payment track records and the guarantors, on-going business relationship with GZQH and the repayment plans agreed with it. In addition, we reviewed the sufficiency of the disclosures in relation to the significant and long outstanding receivables.
Our findings We found management's assessment of the recoverability of trade and other receivables, which premised on the financial strength of the guarantors, on-going business relationships and repayment plans to be reasonable and the disclosures to be appropriate.	

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.

Independent Auditors' Report (cont'd)

Members of the Company
Qian Hu Corporation Limited

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
11 January 2019

Statements of Financial Position

As at 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 January 2017 $'000
Assets							
Property, plant and equipment	4	9,536	9,599	8,750	4,488	4,948	5,348
Investment property	5	–	1,586	1,586	–	–	–
Biological assets	6	10,521	9,382	8,180	10,521	9,382	8,180
Intangible assets	7	3,289	3,351	889	3,229	3,351	889
Subsidiaries	8	–	–	–	3,888	3,007	2,381
Associate	9	–	–	278	–	–	413
Trade and other receivables	10	8,998	9,047	9,031	8,998	9,047	9,031
Non-current assets		32,344	32,965	28,714	31,124	29,735	26,242
Biological assets	6	121	97	67	121	97	67
Inventories	11	15,863	15,584	15,453	6,646	6,673	6,667
Trade and other receivables	10	19,988	21,864	24,707	20,873	21,311	24,326
Cash and cash equivalents	12	11,491	11,124	8,723	5,673	6,218	5,236
Current assets		47,463	48,669	48,950	33,313	34,299	36,296
Total assets		79,807	81,634	77,664	64,437	64,034	62,538
Equity							
Share capital	13	30,773	30,773	30,773	30,773	30,773	30,773
Reserves	14	17,688	18,146	17,773	9,269	9,677	10,518
Equity attributable to owners of the Company		48,461	48,919	48,546	40,042	40,450	41,291
Non-controlling interests		2,347	2,716	1,948	–	–	–
Total equity		50,808	51,635	50,494	40,042	40,450	41,291
Liabilities							
Loans and borrowings	15	216	246	364	148	144	241
Deferred tax liabilities	16	45	57	50	–	–	–
Non-current liabilities		261	303	414	148	144	241
Loans and borrowings	15	17,330	16,039	15,205	17,206	15,617	14,771
Trade and other payables	17	11,058	13,337	11,243	6,834	7,616	6,028
Current tax payable		350	320	308	207	207	207
Current liabilities		28,738	29,696	26,756	24,247	23,440	21,006
Total liabilities		28,999	29,999	27,170	24,395	23,584	21,247
Total equity and liabilities		79,807	81,634	77,664	64,437	64,034	62,538

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

Statements of Profit or Loss

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Revenue	18	85,667	87,824	45,439	45,960
Cost of sales		(59,625)	(61,567)	(32,001)	(32,517)
Gross profit		26,042	26,257	13,438	13,443
Other income		1,637	119	2,215	374
Selling and distribution expenses		(2,196)	(1,533)	(989)	(578)
General and administrative expenses		(24,107)	(23,076)	(13,877)	(13,241)
Impairment loss on trade receivables		(96)	(616)	(79)	(487)
Results from operating activities		1,280	1,151	708	(489)
Finance income		8	7	3	3
Finance costs		(513)	(387)	(486)	(352)
Net finance costs	19	(505)	(380)	(483)	(349)
Share of losses of associate, net of tax		–	(10)	–	–
Profit (Loss) before tax	20	775	761	225	(838)
Tax expense	21	(207)	(212)	(24)	(12)
Profit (Loss) for the year		568	549	201	(850)
Profit (Loss) attributable to:					
Owners of the Company		402	329	201	(850)
Non-controlling interests		166	220	–	–
Profit (Loss) for the year		568	549	201	(850)

	Note	Group 2018	Group 2017
Earnings per share (cents)	23		
Basic		0.35	0.29
Diluted		0.35	0.29

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

Statements of Comprehensive Income

Year ended 31 December 2018

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Profit (Loss) for the year	568	549	201	(850)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations, net of tax	(619)	(11)	19	9
Other comprehensive income for the year, net of tax	(619)	(11)	19	9
Total comprehensive income for the year	(51)	538	220	(841)
Total comprehensive income attributable to:				
Owners of the Company	491	373	220	(841)
Non-controlling interests	(542)	165	–	–
Total comprehensive income for the year	(51)	538	220	(841)

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

Statements of Changes in Equity

Year ended 31 December 2018

	Note	Share capital $'000	Translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company					
Group							
At 1 January 2017, as previously stated		30,773	(1,037)	18,810	48,546	1,948	50,494
Adjustment on transition to SFRS(I)s	31	–	1,037	(1,037)	–	–	–
At 1 January 2017, as restated		30,773	–	17,773	48,546	1,948	50,494
Total comprehensive income for the year							
Profit for the year		–	–	329	329	220	549
Other comprehensive income							
Foreign currency translation differences for foreign operations, net of tax		–	44	–	44	(55)	(11)
Total other comprehensive income		–	44	–	44	(55)	(11)
Total comprehensive income for the year		–	44	329	373	165	538
Transactions with owners, recognised directly in equity							
Change in ownership interests							
Incorporation of subsidiary with non-controlling interests		–	–	–	–	603	603
Total transactions with owners of the Company		–	–	–	–	603	603
At 31 December 2017 (restated)		30,773	44	18,102	48,919	2,716	51,635

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

Group	Note	Attributable to owners of the Company Share capital $'000	Translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018		30,773	44	18,102	48,919	2,716	51,635
Adjustment on initial application of SFRS(I) 9 (net of tax)	31	–	–	(722)	(722)	(66)	(788)
Total comprehensive income for the year							
Profit for the year		–	–	402	402	166	568
Other comprehensive income							
Foreign currency translation differences for foreign operations, net of tax		–	89	–	89	(708)	(619)
Total other comprehensive income		–	89	–	89	(708)	(619)
Total comprehensive income for the year		–	89	402	491	(542)	(51)
Transactions with owners, recognised directly in equity							
Distributions to owners							
Dividends paid		–	–	(227)	(227)	–	(227)
Total distributions to owners		–	–	(227)	(227)	–	(227)
Changes in ownership interests							
Incorporation of subsidiary with non-controlling interests		–	–	–	–	239	239
Total changes in ownership interests		–	–	–	–	239	239
Total transactions with owners of the Company		–	–	(227)	(227)	239	12
At 31 December 2018		30,773	133	17,555	48,461	2,347	50,808

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

Statements of Changes in Equity (cont'd)

Year ended 31 December 2018

Company	Note	Share capital $'000	Retained earnings $'000	Translation reserve $'000	Total equity $'000
At 1 January 2017, as previously stated		30,773	10,537	(19)	41,291
Adjustment on transition to SFRS(I)s	31	–	(19)	19	–
At 1 January 2017, as restated		30,773	10,518	–	41,291
Total comprehensive income for the year					
Loss for the year		–	(850)	–	(850)
Other comprehensive income					
Foreign currency translation differences for foreign operations, net of tax		–	–	9	9
Total other comprehensive income		–	–	9	9
Total comprehensive income for the year		–	(850)	9	(841)
At 31 December 2017 (restated)		30,773	9,668	9	40,450
Adjustment on initial application of SFRS(I) 9 (net of tax)	31	–	(401)	–	(401)
Total comprehensive income for the year					
Profit for the year		–	201	–	201
Other comprehensive income					
Foreign currency translation differences for foreign operations, net of tax		–	–	19	19
Total other comprehensive income		–	–	19	19
Total comprehensive income for the year		–	201	19	220
Transactions with owners, recognised directly in equity					
Distributions to owners					
Dividends paid		–	(227)	–	(227)
Total transactions with owners of the Company		–	(227)	–	(227)
At 31 December 2018		30,773	9,241	28	40,042

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

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit before tax		775	761
Adjustments for:			
Amortisation of intangible assets		142	38
Bad trade receivables written off		249	7
Impairment loss on trade receivables		96	616
Allowance (write back of allowance) for inventory obsolescence		24	(56)
Depreciation of			
- property, plant and equipment		1,799	1,659
- biological assets		226	198
Property, plant and equipment written off		8	*
(Gain) loss on disposal of			
- property, plant and equipment		(58)	(63)
- investment property		25	–
- a subsidiary		(66)	–
- an associate		–	46
Change in fair value less estimated point-of-sale costs of breeder stocks		30	6
Share of losses of associate		–	10
Finance income		(8)	(7)
Finance costs		513	387
		3,755	3,602
Changes in working capital			
Inventories		(907)	(20)
Breeder stocks		(54)	(36)
Trade and other receivables		(217)	822
Trade and other payables		(1,850)	2,531
Cash generated from operations		727	6,899
Tax paid		(213)	(174)
Net cash from operating activities		514	6,725
Cash flows from investing activities			
Purchase of			
- property, plant and equipment		(1,591)	(2,446)
- intangible assets		(80)	(2,500)
Interest received		8	7
Proceeds from disposal of			
- property, plant and equipment		114	82
- an associate		–	222
- investment property		1,579	–
Disposal of a subsidiary, net of cash and cash equivalents	29	(299)	–
Acquisition of additional interest in a subsidiary		(614)	–
Net cash used in investing activities		(883)	(4,635)

* Amount less than $1,000

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

Consolidated Statement of Cash Flows (cont'd)

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from financing activities			
Dividends paid to			
- owners of the Company		(227)	–
- non-controlling interests		(169)	(82)
Drawdown of bank term loans		2,200	500
Capital contribution from non-controlling interests		239	603
Interest paid		(504)	(385)
Repayment of			
- finance lease liabilities		(249)	(253)
- bank term loans		(568)	(79)
Net cash from financing activities		722	304
Net increase in cash and cash equivalents		353	2,394
Cash and cash equivalents at beginning of year		11,124	8,723
Effect of exchange rate fluctuations on cash held		14	7
Cash and cash equivalents at end of year	12	11,491	11,124

Significant non-cash transaction

During the year, brooder stocks with cost of $1,365,000 (2017: $1,400,000) 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 11 January 2019.

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 2018 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 2018 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). These are the Group's first financial statements prepared in accordance with SFRS(I)s and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRSs). An explanation of how the transition to SFRS(I)s and application of SFRS(I) 9 have affected the reported financial position, financial performance and cash flows is provided in note 31.

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. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

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.

Notes to the Financial Statements (cont'd)

2.4 Use of estimates and judgements (continued)

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 10 – measurement of expected credit loss (ECL) allowance for trade and other receivables: key assumptions in determining the weighted-average loss rate

Measurement of fair values

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

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

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, 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 27 – financial risk management

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I)s, unless otherwise indicated.

3.1 Basis of consolidation

Business combinations

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

3.1 Basis of consolidation (continued)

Acquisitions from 1 January 2017

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.

Acquisitions before 1 January 2017

As part of transition to SFRS(I)s, the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I)s, i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

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.

Notes to the Financial Statements (cont'd)

3.1 Basis of consolidations (continued)

***Subsidiaries* (continued)**

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.

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 – Policy applicable from 1 January 2018

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.

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.

3.3 Financial instruments (continued)

(b) Classification and subsequent measurement (continued)

Financial assets: Business model assessment – Policy applicable from 1 January 2018

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 – Policy applicable from 1 January 2018

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.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

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.

3.3 Financial instruments (continued)

(b) Classification and subsequent measurement (continued)

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into the following categories: loans and receivables.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

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.

3.3 Financial instruments (continued)

(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.

(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'.

Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

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.

3.4 Property, plant and equipment (continued)

Recognition and measurement **(continued)**

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.

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.

3.5 Investment property (continued)

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 Leased assets

Leased assets of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

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

Policy applicable from 1 January 2018

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.

3.10 Impairment (continued)

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).

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.

3.10 Impairment (continued)

***Presentation of allowance for ECLs in the statement of financial position* (continued)**

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.

Policy applicable before 1 January 2018

A financial asset, including an interest in an associate, not carried at fair value through profit or loss was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired could include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at a specific asset level.

An impairment loss (allowance for doubtful receivables) in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of allowance for doubtful receivables subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised allowance was reversed through profit or loss.

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.

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.

3.10 Impairment (continued)

***Non-financial assets* (continued)**

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.

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 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.17 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.

3.17 Tax (continued)

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.

3.18 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.

3.19 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.

3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 31.

Notes to the Financial Statements (cont'd)

4 Property, plant and equipment

Group	Freehold land and buildings $'000	Leasehold land and buildings $'000	Leasehold improve-ments $'000	Motor vehicles $'000
Cost				
At 1 January 2017	1,015	10,499	2,283	3,047
Translation differences on consolidation	15	(27)	(45)	9
Additions	614	776	139	456
Disposals/Write offs/Transfers	–	–	–	(372)
Reclassification	–	96	–	–
At 31 December 2017	1,644	11,344	2,377	3,140
Translation differences on consolidation	48	(8)	8	6
Additions	572	212	201	426
Disposals/Write offs/Transfers	–	–	–	(405)
Reclassification	–	93	–	–
Disposal of subsidiary	–	–	–	(100)
At 31 December 2018	2,264	11,641	2,586	3,067
Accumulated depreciation				
At 1 January 2017	133	7,640	1,385	1,931
Translation differences on consolidation	2	1	(4)	6
Depreciation charge for the year	187	248	189	349
Disposals/Write offs/Transfers	–	–	–	(353)
At 31 December 2017	322	7,889	1,570	1,933
Translation differences on consolidation	9	12	15	4
Depreciation charge for the year	203	319	209	395
Disposals/Write offs/Transfers	–	–	–	(355)
Disposal of subsidiary	–	–	–	(75)
At 31 December 2018	534	8,220	1,794	1,902
Carrying amounts				
At 1 January 2017	882	2,859	898	1,116
At 31 December 2017	1,322	3,455	807	1,207
At 31 December 2018	1,730	3,421	792	1,165

* Amount less than $1,000

Computers $'000	Furniture, fittings and office equipment $'000	Equipment and tools $'000	Machinery and equipment $'000	Electrical and installation $'000	Construction in-progress $'000	Total $'000
1,597	1,390	270	6,796	1,356	28	28,281
7	8	*	11	11	–	(11)
57	65	29	245	50	144	2,575
(3)	(1)	–	(170)	–	–	(546)
–	–	–	–	–	(96)	–
1,658	1,462	299	6,882	1,417	76	30,299
4	6	(2)	(2)	(2)	–	58
71	37	6	176	33	90	1,824
(5)	(2)	–	(116)	–	–	(528)
–	–	–	–	–	(93)	–
(26)	(20)	–	(15)	(85)	–	(246)
1,702	1,483	303	6,925	1,363	73	31,407
1,398	1,163	222	4,456	1,203	–	19,531
6	8	1	8	9	–	37
100	65	25	442	54	–	1,659
(3)	(1)	–	(170)	–	–	(527)
1,501	1,235	248	4,736	1,266	–	20,700
3	8	(1)	(1)	(3)	–	46
79	57	10	471	56	–	1,799
(5)	(2)	–	(103)	–	–	(465)
(20)	(17)	–	(13)	(84)	–	(209)
1,558	1,281	257	5,090	1,235	–	21,871
199	227	48	2,340	153	28	8,750
157	227	51	2,146	151	76	9,599
144	202	46	1,835	128	73	9,536

Notes to the Financial Statements (cont'd)

4 Property, plant and equipment (continued)

	Leasehold land and buildings $'000	Leasehold improve-ments $'000	Motor vehicles $'000
Company			
Cost			
At 1 January 2017	9,609	746	1,533
Additions	58	7	158
Disposal	–	–	(223)
Translation differences	–	(6)	(1)
Reclassification	96	–	–
At 31 December 2017	9,763	747	1,467
Additions	7	15	254
Disposal	–	–	(158)
Translation differences	–	(12)	(1)
Reclassification	93	–	–
At 31 December 2018	9,863	750	1,562
Accumulated depreciation			
At 1 January 2017	7,189	468	1,016
Depreciation charge for the year	226	58	135
Disposal	–	–	(208)
Translation differences	–	(3)	(1)
At 31 December 2017	7,415	523	942
Depreciation charge for the year	248	48	176
Disposal	–	–	(117)
Translation differences	–	(7)	(1)
At 31 December 2018	7,663	564	1,000
Carrying amounts			
At 1 January 2017	2,420	278	517
At 31 December 2017	2,348	224	525
At 31 December 2018	2,200	186	562

* Amount less than $1,000

Computers $'000	Furniture, fittings and office equipment $'000	Machinery and equipment $'000	Electrical and installation $'000	Construction in-progress $'000	Total $'000
921	515	4,110	426	28	17,888
19	8	45	–	144	439
(4)	(*)	(*)	–	–	(227)
(*)	(*)	(5)	–	–	(12)
–	–	–	–	(96)	–
936	523	4,150	426	76	18,088
37	4	42	–	90	449
(5)	(1)	(17)	–	–	(181)
(1)	(1)	(10)	–	–	(25)
–	–	–	–	(93)	–
967	525	4,165	426	73	18,331
862	458	2,156	391	–	12,540
30	20	340	10	–	819
(3)	(*)	(*)	–	–	(211)
(*)	(*)	(4)	–	–	(8)
889	478	2,492	401	–	13,140
33	12	327	8	–	852
(5)	(*)	(9)	–	–	(131)
(*)	(1)	(9)	–	–	(18)
917	489	2,801	409	–	13,843
59	57	1,954	35	28	5,348
47	45	1,658	25	76	4,948
50	36	1,364	17	73	4,488

4 Property, plant and equipment (continued)

The carrying amounts of property, plant and equipment of the Group and the Company include amounts totalling $710,000 (2017: $800,000; 1 January 2017: $849,000) and $446,000 (2017: $346,000; 1 January 2017: $441,000) respectively, in respect of property, plant and equipment acquired under finance lease arrangements.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $1,824,000 (2017: $2,575,000), of which $233,000 (2017: $130,000) were acquired under finance leases. Cash payments of $1,591,000 (2017: $2,446,000) were made to purchase property, plant and equipment.

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 2018 $'000	Carrying amount 2017 $'000	Carrying amount 1 January 2017 $'000
Held by the Company						
- Leasehold buildings						
69 & 71 Jalan Lekar, Singapore	Fish farming	10 years from 11 November 2016	41,776	733	699	608
- Leasehold land and buildings						
78 Jalan Lekar, Singapore	Fish farming	20 years from 20 February 2008	19,343	1,467	1,649	1,812
Held through subsidiaries						
- Leasehold land and buildings						
30/25 & 30/26 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2016 to 31 December 2018	3,290	43	43	47
30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2016 to 31 December 2018	1,740	–	–	–
30/24 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2017 to 31 December 2018	1,740	2	–	–
		Balance carried forward		2,245	2,391	2,467

4 Property, plant and equipment (continued)

Location	Description and existing use	Tenure/ Unexpired term	Land area (sq m)	Carrying amount 2018 $'000	2017 $'000	1 January 2017 $'000
		Balance brought forward		2,245	2,391	2,467
JL. Raya Brantamulya Tengsaw No. 9 Tarik Kolot, Kecamatan Citeureup Bogor, Indonesia	Fish farming	30 years from 1 May 2013	1,343	329	346	392
Yan Dun Wen Yuan Village Hui Wen Town Weng Chang City Hainan, China	Fish farming	1 January 2017 to 30 April 2033	4,000	663	718	–
Blk 20, Woodlands Link, #03-28/29, Singapore	Warehousing	1 April 2018 to 30 September 2027	389	184	–	–
Held through subsidiaries						
- Freehold land and buildings						
761 Rangsit - Nakornayok 52 Road, Pachatipat, Tanyaburi, Pathumtani, 12130 Thailand	Residential	Freehold	444	92	100	109
Land No. 3903 Tambol Samreuan Amphur Meuang Ratchaburi Province 70000 Thailand	Fish Farming	Freehold	44,800	1,638	1,222	773
				5,151	4,777	3,741

5 Investment property

	Group 2018 $'000	2017 $'000
Cost		
At 1 January	1,586	1,586
Disposal	(1,586)	–
At 31 December	–	1,586

The property was disposed during the financial year.

Notes to the Financial Statements (cont'd)

5 Investment property (continued)

Details of property held by the Group as at 31 December 2017 were as follows:

Location	Description and existing use	Tenure/ Unexpired term	Land area (sq m)
Held through subsidiary			
- Freehold land			
Lot 5092 GRN 50300 Mukim of Linau District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	118,875

The following are recognised in profit or loss in respect of the investment property:

	2018 $'000	2017 $'000
Direct operating expenses on income generating investment property (excluding depreciation)	(1)	(1)

Fair value information

Fair value of investment property is categorised as follows:

	2018 $'000	2017 $'000	1 January 2017 $'000
Group			
Land	–	1,586	1,586

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

Level 3 fair values of land is estimated by Directors by making reference to the asking price of comparable properties in close proximity and adjusted for differences in key attributes such as property size and bargain discount. The significant unobservable inputs include adjustment to price per square feet at comparable properties and the discount factors.

6 Biological assets

	Brooder stocks Group and Company	
	2018 $'000	2017 $'000
Cost		
At 1 January	10,650	9,250
Additions	1,365	1,400
At 31 December	12,015	10,650

6 Biological assets (continued)

	Brooder stocks Group and Company 2018 $'000	2017 $'000
Accumulated depreciation		
At 1 January	1,268	1,070
Depreciation charge for the year	226	198
At 31 December	1,494	1,268
Net carrying amount		
At 31 December	10,521	9,382
Estimated quantity at year end (pieces)	3,526	2,980

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 14,049 (2017: 9,077; 1 January 2017: 4,051) of dragon fish.

	Brooder stocks Group and Company 2018 $'000	2017 $'000
At 1 January	97	67
Change in fair value less estimated point-of-sale costs	(30)	(6)
Decreases due to sales	(865)	(1,007)
Net increase due to births	919	1,043
At 31 December	121	97
Estimated quantity at year end (pieces)	1,552	773

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 2018 was determined in a similar manner as in 2017. No impairment loss was required for the carrying amount of biological assets at 31 December 2018 and 31 December 2017 as the recoverable value was in excess of the carrying value.

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		
	2018	**2017**	**1 January 2017**	**2018**	**2017**	**1 January 2017**	**2018**	**2017**	**1 January 2017**
	%	**%**	**%**				**%**	**%**	**%**
Biological assets	13.3	12.5	11.0	4.9 – 13.0	4.5 – 6.0	4.3	5.0	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 actual breeder production of past 12 months.

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.

Sensitivity analysis

The estimated recoverable amount of the brooder stock exceeded its carrying amount by approximately $4,297,000 (2017: $114,000). 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.

6 Biological assets (continued)

Sensitivity analysis (continued)

	Change required for recoverable amount to equal the carrying amount 2018 %	2017 %
Production yield	(29.0)	(1.2)
Growth rate	(234.0)	(8.1)
Discount rate	42.6	1.2

7 Intangible assets

	Trademarks/ Customer acquisition costs/ Formulation rights $'000	Product listing fees $'000	Total $'000
Group			
Cost			
At 1 January 2017	1,471	196	1,667
Addition	2,500	–	2,500
At 31 December 2017	3,971	196	4,167
Addition	80	–	80
At 31 December 2018	4,051	196	4,247
Accumulated amortisation			
At 1 January 2017	582	196	778
Amortisation for the year	38	–	38
At 31 December 2017	620	196	816
Amortisation for the year	142	–	142
At 31 December 2018	762	196	958
Carrying amounts			
At 1 January 2017	889	–	889
At 31 December 2017	3,351	–	3,351
At 31 December 2018	3,289	–	3,289

7 Intangible assets (continued)

	Trademarks/ Customer acquisition costs/ Formulation rights $'000	Product listing fees $'000	Total $'000
Company			
Cost			
At 1 January 2017	1,471	196	1,667
Addition	2,500	–	2,500
At 31 December 2017 and 31 December 2018	3,971	196	4,167
Accumulated amortisation			
At 1 January 2017	582	196	778
Amortisation for the year	38	–	38
At 31 December 2017	620	196	816
Amortisation for the year	122	–	122
At 31 December 2018	742	196	938
Carrying amounts			
At 1 January 2017	889	–	889
At 31 December 2017	3,351	–	3,351
At 31 December 2018	3,229	–	3,229

The amortisation charged is recognised in selling and distribution expenses in the statement of profit or loss.

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 2018 was determined in a similar manner as in 2017. No impairment loss was required for the carrying amount of trademarks/customer acquisition costs at 31 December 2018 and 31 December 2017 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		
	2018 %	2017 %	1 January 2017 %	2018 %	2017 %	1 January 2017 %	2018 %	2017 %	1 January 2017 %
Pet food	13.3	12.5	11.0	3.0	3.0	3.0	5.0	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 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.

8 Subsidiaries

	Company		
	2018 $'000	2017 $'000	1 January 2017 $'000
Unquoted equity investments, at cost	3,888	3,007	2,381

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and business	Ownership interest 2018 %	2017 %	1 January 2017 %	Cost of investment by the Company 2018 $'000	2017 $'000	1 January 2017 $'000
* Qian Hu Tat Leng Plastic Pte. Ltd.	Manufacture of plastic bags	Singapore	100	100	100	57	57	57
^ 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	100	172	172	172
^ Qian Hu The Pet Family (M) Sdn. Bhd.	Trading of ornamental fish and aquarium accessories	Malaysia	100	100	100	–	–	–
^ Qian Hu Development Sdn. Bhd.	Investment holding	Malaysia	100	100	100	16	16	16
^ Beijing Qian Hu Aquarium and Pets Co., Ltd	Distribution of aquarium and pet accessories	People's Republic of China	100	100	100	172	172	172
	Balance carried forward					417	417	417

Notes to the Financial Statements (cont'd)

8 Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation and business	Ownership interest 2018 %	Ownership interest 2017 %	Ownership interest 1 January 2017 %	Cost of investment by the Company 2018 $'000	Cost of investment by the Company 2017 $'000	Cost of investment by the Company 1 January 2017 $'000
	Balance brought forward					417	417	417
^ Shanghai Qian Hu Aquarium and Pets Co., Ltd	Distribution of aquarium and pet accessories	People's Republic of China	–▲	100	100	–	1,087	1,087
^ Guangzhou Qian Hu OF Feed Co., Ltd	Manufacture of fish feed	People's Republic of China	100	100	100	126	126	126
^ Guangzhou Qian Hu Aquarium and Pets Co., Ltd	Distribution of aquarium and pet accessories	People's Republic of China	100	100	100	69	69	69
^ Qian Hu Aquaculture (Hainan) Co., Ltd	Farming of edible fish	People's Republic of China	100	51	51	1,240	626	–#
^ Tian Tian Fisheries (Hainan) Co., Ltd	Farming of edible fish	People's Republic of China	60	60	–	378	–∆	–
^ Qian Hu Marketing Co Ltd	Distribution of aquarium and pet accessories	Thailand	74◆	74◆	74◆	148	148	148
^ Thai Qian Hu Company Limited and its subsidiary:	Trading of ornamental fish	Thailand	60	60	60	122	122	122
^ Advance Aquatic Co., Ltd	Trading of ornamental fish	Thailand	60	60	60	–	–	–
^ NNTL (Thailand) Limited	Investment holding	Thailand	49@	49@	49@	31	31	31
^ P.T. Qian Hu Joe Aquatic Indonesia	Trading of ornamental fish	Indonesia	97.25	90	90	1,357	381	381
						3,888	3,007	2,381

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.*

▲ *Disposed of in October 2018.*

Incorporated in December 2016 with a registered capital of RMB6 million. The Company had not made any capital contribution into this subsidiary as at 1 January 2017.

∆ *Incorporated in November 2017 with a registered capital of RMB3 million. The Company had not made any capital contribution into this subsidiary as at 31 December 2017.*

◆ *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.*

8 Subsidiaries (continued)

During the 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 Associate

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Investment in associate, at cost	–	–	813	–	–	813
Impairment loss on investment	–	–	(222)	–	–	(400)
Share of post-acquisition losses	–	–	(313)	–	–	–
	–	–	278	–	–	413

Investment in associate at 1 January 2017 included goodwill of $134,000.

The Group has disposed of its entire equity interest in Arcadia Products PLC in the 4th quarter of 2017 for a cash consideration of $222,000. The Group and the Company recognised a loss of $46,000 and $191,000 respectively.

Details of the associate were as follows:

	Arcadia Products PLC
Nature of relationship with the Group	Strategic customer providing access to the European aquarium market
Principle place of business/Country of incorporation	United Kingdom
Ownership interest/Voting rights held	Nil (2017: Nil; 1 January 2017: 20%)

The associate was audited by other certified public accountants. This associate was not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual. For this purpose, an associated company is considered significant if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

The summarised financial information relating to the associate was not adjusted for the percentage of ownership held by the Group.

Notes to the Financial Statements (cont'd)

9 Associate (continued)

The financial information of the associate was as follows:

	2018 $'000	2017 $'000	1 January 2017 $'000
Assets and liabilities			
Total assets	–	–	4,825
Total liabilities	–	–	2,966
Results			
Revenue	–	–	6,017
Expenses	–	–	6,203
Loss after taxation	–	–	(186)

Impairment of investment in associate

Significant judgement is required in determining the impairment of this associate at each reporting date and this requires the management to make estimates and assumptions that affect the financial statements.

In 2016, management had performed impairment review to assess the recoverable amount of the associate. An impairment loss of $222,000 and $400,000 was recognised at the Group and at the Company, respectively, for the year ended 31 December 2012 to write down the carrying amount of the associate to its recoverable amounts.

The Group has disposed of its equity interest in the associate in December 2017.

10 Trade and other receivables

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Trade receivables	25,758	27,081	27,614	19,149	19,421	20,262
Loss allowance	(1,484)	(2,353)	(2,377)	(1,097)	(2,157)	(2,289)
Net receivables	24,274	24,728	25,237	18,052	17,264	17,973
Deposits	343	306	276	57	39	45
Tax recoverable	70	38	52	–	–	–
Other receivables	2,838	3,567	4,309	2,658	2,782	4,180
Amounts due from:						
- subsidiaries (trade)	–	–	–	6,826	6,849	6,436
- subsidiaries (non-trade)	–	–	–	1,858	2,834	2,843
- associate (trade)	–	–	849	–	–	849
Amortised cost/Loans and receivables	27,525	28,639	30,723	29,451	29,768	32,326
Deposits for purchase of property, plant and equipment	223	632	1,213	–	–	264
Prepayments	934	1,114	1,166	165	170	171
Advances to suppliers	304	526	636	255	420	596
	28,986	30,911	33,738	29,871	30,358	33,357
Non-current	8,998	9,047	9,031	8,998	9,047	9,031
Current	19,988	21,864	24,707	20,873	21,311	24,326
	28,986	30,911	33,738	29,871	30,358	33,357

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.

Receivables denominated in currencies other than the Company's functional currency comprise:

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
US Dollar	3,680	3,478	2,076	2,774	2,141	840
Euro	303	369	48	263	332	3
Malaysian Ringgit	1,355	1,799	1,447	–	–	–
Thai Baht	938	969	929	–	–	–
Chinese Renminbi	1,706	2,563	2,916	1,169	1,389	1,667
Indonesian Rupiah	52	31	188	–	–	–

10 Trade and other receivables (continued)

Trade and other receivables of the Group and the Company as at 31 December 2018 include approximately $10.0 million (2017: $10.0 million; 1 January 2017: $9.8 million) owing by Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH), a former subsidiary of the Group. These include trade receivables of $8.7 million (2017: $8.7 million; 1 January 2017: $8.5 million) and non-trade receivables of $1.3 million (2017: $1.3 million; 1 January 2017: $1.3 million), of which the recoverability of $7.3 million (2017: $7.3 million; 1 January 2017: $7.7 million) owing by GZQH prior to its disposal is guaranteed by a major shareholder and director of the Company as disclosed in Note 25. 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.

In 2017, the Company revised the repayment agreement with GZQH whereby $1.0 million of the receivables as of 31 December 2017 was due on 31 December 2018 and the remaining amount of $9.0 million was due on 31 January 2019. During the financial year, the Company further revised the repayment agreement with GZQH of which $1.0 million of the receivables as of 31 December 2018 is due on 31 December 2019 and the remaining amount of $9.0 million is due on 31 January 2020.

The non-trade amount owing by the purchasers of Kim Kang Sdn. Bhd. (KKSB) which was repayable via brooder stocks over a two-year period commencing 1 January 2017 had been fully repaid in 2018 (2017: $1.4 million; 1 January 2017: $2.8 million).

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.

11 Inventories

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Fish	3,192	2,997	2,742	1,862	2,152	2,028
Accessories	11,748	11,712	11,818	4,784	4,521	4,639
Raw materials – plastic products	308	316	285	–	–	–
Finished goods – plastic products	615	559	608	–	–	–
	15,863	15,584	15,453	6,646	6,673	6,667

12 Cash and cash equivalents

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Cash and bank balances	10,808	11,124	8,723	4,990	6,218	5,236
Short-term deposits	683	–	–	683	–	–
Cash and cash equivalents	11,491	11,124	8,723	5,673	6,218	5,236

12 Cash and cash equivalents (continued)

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

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

Cash and cash equivalents denominated in foreign currencies other than the Company's functional currency comprise:

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
US Dollar	2,513	1,723	1,033	2,016	1,275	946
Euro	230	58	100	8	21	31
Malaysian Ringgit	2,062	649	498	–	–	–
Thai Baht	669	597	907	–	–	–
Chinese Renminbi	1,190	2,088	1,051	116	60	41
Indonesian Rupiah	32	17	22	–	–	–

13 Share capital

	Group and Company			
	2018 $'000	2018 No. of shares	2017 $'000	2017 No. of shares
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	30,773	113,526,467	30,773	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.

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.

Notes to the Financial Statements (cont'd)

13 Share capital (continued)

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Net debt	17,113	18,498	18,089	18,515	17,159	15,804
Total equity	50,808	51,635	50,494	40,042	40,450	41,291
Total capital	67,921	70,133	68,583	58,557	57,609	57,095
Gearing ratio	0.25	0.26	0.26	0.32	0.30	0.28

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

14 Reserves

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Retained earnings	17,555	18,102	17,773	9,241	9,668	10,518
Translation reserve	133	44	–	28	9	–
	17,688	18,146	17,773	9,269	9,677	10,518

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.

15 Loans and borrowings

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Non-current liabilities						
Finance lease liabilities	216	246	364	148	144	241
	216	246	364	148	144	241

15 Loans and borrowings (continued)

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current liabilities						
Singapore dollar short-term loans (unsecured)	16,700	15,000	14,500	16,700	15,000	14,500
Thai Baht fixed rate loan (secured)	–	65	142	–	–	–
Bills payable to banks (unsecured)	407	766	354	370	532	197
Finance lease liabilities	223	208	209	136	85	74
	17,330	16,039	15,205	17,206	15,617	14,771
Total borrowings	17,546	16,285	15,569	17,354	15,761	15,012

The Thai Baht loan was secured by a mortgage on the subsidiary's freehold land and was callable on demand. It bore interest at 6.75% per annum and was payable in 50 monthly instalments commencing September 2014. The loan had been fully repaid during the financial year.

The unsecured short-term loans are revolving bank loans which bear interest at rates from 2.53% to 3.00% (2017: 1.97% to 3.00%; 1 January 2017: 1.69% to 2.00%) per annum and are repayable within the next 12 months from the reporting date.

The weighted average effective interest rates per annum relating to the bills payable to banks, at the reporting date for the Group and the Company are 5.22% (2017: 5.04%; 1 January 2017: 5.09%) and 5.25% (2017: 5.25%; 1 January 2017: 5.25%) respectively. These bills mature within 1 to 4 months from the reporting date.

Finance lease liabilities

At 31 December, the Group and the Company had obligations under finance leases that are payable as follows:

	2018			2017			1 January 2017		
	Principal	Interest	Payments	Principal	Interest	Payments	Principal	Interest	Payments
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Repayable within 1 year	223	26	249	208	25	233	209	23	232
Repayable after 1 year but within 5 years	216	24	240	246	33	279	364	48	412
	439	50	489	454	58	512	573	71	644
Company									
Repayable within 1 year	136	14	150	85	10	95	74	9	83
Repayable after 1 year but within 5 years	148	17	165	144	19	163	241	30	271
	284	31	315	229	29	258	315	39	354

Notes to the Financial Statements (cont'd)

15 Loans and borrowings (continued)

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% (2017: 4.90%; 1 January 2017: 4.91%) and 5.82% (2017: 5.73%, 1 January 2017: 5.38%) respectively.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Group					
2018					
Bills payable to banks	407	428	428	–	–
S$ floating rate loans	16,700	17,162	17,162	–	–
Finance lease liabilities	439	489	249	240	–
Trade and other payables	11,058	11,058	11,058	–	–
	28,604	29,137	28,897	240	–
2017					
Bills payable to banks	766	804	804	–	–
S$ floating rate loans	15,000	15,373	15,373	–	–
Thai Baht fixed rate loan	65	69	69	–	–
Finance lease liabilities	454	512	233	279	–
Trade and other payables	13,337	13,337	13,337	–	–
	29,622	30,095	29,816	279	–
1 January 2017					
Bills payable to banks	354	372	372	–	–
S$ floating rate loans	14,500	14,768	14,768	–	–
Thai Baht fixed rate loan	142	152	152	–	–
Finance lease liabilities	573	644	232	412	–
Trade and other payables	11,243	11,243	11,243	–	–
	26,812	27,179	26,767	412	–
Company					
2018					
Bills payable to banks	370	389	389	–	–
S$ floating rate loans	16,700	17,162	17,162	–	–
Finance lease liabilities	284	315	150	165	–
Trade and other payables	6,834	6,834	6,834	–	–
	24,188	24,700	24,535	165	–

15 Loans and borrowings (continued)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows: Within 1 year $'000	Cash flows: Within 1 to 5 years $'000	Cash flows: More than 5 years $'000
Company					
2017					
Bills payable to banks	532	560	560	–	–
S$ floating rate loans	15,000	15,373	15,373	–	–
Finance lease liabilities	229	258	95	163	–
Trade and other payables	7,616	7,616	7,616	–	–
	23,377	23,807	23,644	163	–
1 January 2017					
Bills payable to banks	197	207	207	–	–
S$ floating rate loans	14,500	14,768	14,768	–	–
Finance lease liabilities	315	354	83	271	–
Trade and other payables	6,028	6,028	6,028	–	–
	21,040	21,357	21,086	271	–

In addition to the above table, the Company has liquidity risk arising from issued financial guarantees to certain banks in respect of banking facilities granted to certain subsidiaries amounting to approximately $1,700,000 (2017: $1,700,000; 1 January 2017: $1,700,000).

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Other loans and borrowings $'000	Finance lease liabilities $'000	Total $'000
Group			
Balance at 1 January 2017	14,996	573	15,569
Changes from financing cash flows			
Drawdown of bank term loans	500	–	500
Repayment of finance lease liabilities	–	(253)	(253)
Repayment of bank term loans	(79)	–	(79)
Total changes from financing cash flows	421	(253)	168
The effect of changes in foreign exchange rates	5	4	9
Other changes			
New finance leases	–	130	130
Bills payable to banks (net)	409	–	409
Total other changes	409	130	539
Balance at 31 December 2017	15,831	454	16,285

15 Loans and borrowings (continued)

	Other loans and borrowings $'000	Finance lease liabilities $'000	Total $'000
Group			
Balance at 1 January 2018	15,831	454	16,285
Changes from financing cash flows			
Drawdown of bank term loans	2,200	–	2,200
Repayment of finance lease liabilities	–	(249)	(249)
Repayment of bank term loans	(568)	–	(568)
Total changes from financing cash flows	1,632	(249)	1,383
The effect of changes in foreign exchange rates	2	1	3
Other changes			
New finance leases	–	233	233
Bills payable to banks (net)	(358)	–	(358)
Total other changes	(358)	233	(125)
Balance at 31 December 2018	17,107	439	17,546

16 Deferred tax liabilities

	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 January 2017 $'000
Property, plant and equipment and biological assets	45	57	50	–	–	–

Movement in deferred tax liabilities

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
At 1 January	57	50	–	–
Recognised in profit or loss	(12)	7	–	–
Translation differences on consolidation	*	*	–	–
At 31 December	45	57	–	–

* Amount less than $1,000

16 Deferred tax liabilities (continued)

Unrecognised deferred tax assets

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Deductible temporary differences	3,892	4,231	4,644	3,179	4,231	4,644
Tax losses	6,415	5,717	4,935	6,339	5,358	4,647
	10,307	9,948	9,579	9,518	9,589	9,291

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.

17 Trade and other payables

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Trade payables	7,178	7,347	7,442	3,030	2,348	2,680
Accrued operating expenses	440	359	530	323	260	451
Other payables	1,682	3,981	1,655	1,149	3,005	1,292
Accrued staff costs	1,482	1,336	1,240	1,055	952	808
Advance received from customers	276	314	376	241	220	113
Amounts due to subsidiaries:						
- trade	–	–	–	250	143	144
- non-trade	–	–	–	786	688	540
	11,058	13,337	11,243	6,834	7,616	6,028

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.

Notes to the Financial Statements (cont'd)

17 Trade and other payables (continued)

Payables denominated in currencies other than the Company's functional currency comprise:

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
US Dollar	814	427	1,966	622	278	1,818
Euro	52	*	5	52	*	5
Malaysian Ringgit	351	439	544	1	6	7
Thai Baht	667	151	358	479	–	–
Chinese Renminbi	2,355	2,876	3,157	807	509	850
Australian Dollar	211	293	10	211	293	10
Hong Kong Dollar	47	93	96	47	93	96
New Taiwan Dollar	81	251	90	81	251	45
Indonesian Rupiah	34	144	132	–	–	–

* Amount less than $1,000

18 Revenue

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Sale of goods:				
- fish	34,614	35,168	22,653	23,661
- accessories	39,095	40,936	22,786	22,299
- plastics	11,958	11,720	–	–
	85,667	87,824	45,439	45,960

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

18 Revenue (continued)

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 26).

	Fish		Accessories		Plastics		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Primary geographical markets								
Singapore	4,730	4,692	9,047	8,497	11,535	11,319	25,312	24,508
Other Asian countries	19,742	20,954	23,937	27,652	244	181	43,923	48,787
Europe	6,338	6,362	1,540	1,838	74	91	7,952	8,291
Others	3,804	3,160	4,571	2,949	105	129	8,480	6,238
	34,614	35,168	39,095	40,936	11,958	11,720	85,667	87,824

Contract balances

The following table provides information about contract liabilities from contracts with customers.

	2018 $'000	2017 $'000
Contract liabilities	(276)	(314)

The contract liabilities primarily relate to the advance consideration received from customers for sale of fish and accessories.

18 Revenue (continued)

Significant changes in the contract liabilities balances during the period are as follows.

	2018 $'000	2017 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	314	376
Increases due to cash received, excluding amounts recognised as revenue during the year	(276)	(314)

19 Net finance costs

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest income				
- bank deposits	8	7	3	3
Interest expense				
- bank loans and overdrafts	(461)	(337)	(459)	(330)
- bills payable to banks	(22)	(21)	(14)	(12)
- finance lease liabilities	(30)	(29)	(13)	(10)
	(513)	(387)	(486)	(352)
Net finance costs	(505)	(380)	(483)	(349)

20 Profit (Loss) before tax

The following items have been included in arriving at profit (loss) before tax:

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Allowance (write back of allowance) for inventory obsolescence	24	(56)	24	(56)
Bad trade receivables written off	249	7	193	3
Auditors' remuneration				
- auditors of the Company	120	120	104	104
- other auditors	17	18	–	–
Non-audit fees				
- other auditors	22	31	14	23
Depreciation of				
- property, plant and equipment	1,799	1,659	852	819
- biological assets	226	198	226	198
Amortisation of intangible assets	142	38	122	38
Exchange loss, net	356	245	300	130
Operating lease expenses	1,163	1,174	263	256
Property, plant and equipment written off	8	*	8	*
Staff costs				
- salaries and bonus	12,814	12,416	8,083	7,693
- provident fund contributions	904	854	574	532
- staff welfare benefits	1,256	1,229	704	660
Directors' fees				
- directors of the Company	108	106	108	106
Change in fair value less estimated point-of-sale costs of breeder stocks	30	6	30	6
Other (income) expenses				
- gain on disposal of property, plant and equipment	(58)	(63)	(1)	(9)
- loss on disposal of investment property	25	–	–	–
- dividend income received from subsidiaries	–	–	(646)	(521)
- gain on disposal of a subsidiary	(66)	–	(114)	–
- loss on disposal of an associate	–	46	–	191
- sundry income	(148)	(102)	(64)	(35)
- handling income (net)	(1,390)	–	(1,390)	–

* Amount less than $1,000

21 Tax expense

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Tax recognised in profit or loss				
Current tax expense				
Current year	213	229	24	12
Under (Over) provision in respect of prior years	6	(24)	–	–
	219	205	24	12
Deferred tax (credit) expense				
Origination and reversal of temporary differences	(12)	7	–	–
	(12)	7	–	–
Total tax expense	207	212	24	12

Reconciliation of effective tax rate

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Profit (Loss) before tax	775	761	225	(838)
Tax using Singapore tax rate of 17% (2017: 17%)	132	129	38	(142)
Effect of tax rates in foreign jurisdictions	54	16	–	–
Expenses not deductible for tax purposes	17	20	97	50
Income not subject to tax	(32)	(25)	(111)	(86)
Change in unrecognised temporary differences	61	91	(12)	178
Recognition of tax effect of previously unrecognised tax losses	(37)	(12)	–	–
Withholding tax	24	12	24	12
Under (Over) provision in respect of prior years	6	(24)	–	–
Tax incentives	(26)	(26)	–	–
Others	8	31	(12)	–
Tax expense	207	212	24	12

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.

22 Directors' remuneration

Company's directors receiving remuneration from the Group:

	Group Number of directors 2018	2017
Remuneration of:		
$500,000 and above	–	–
$250,000 to $499,999	4	4
Below $250,000	4	4
	8	8

Names of director	Salary $'000	Bonus $'000	Directors' fees $'000	Total $'000
Group				
2018				
Kenny Yap Kim Lee	307	–	–	307
Alvin Yap Ah Seng	276	–	–	276
Andy Yap Ah Siong	276	–	–	276
Lai Chin Yee	276	–	–	276
Tan Tow Ee	–	–	30	30
Chang Weng Leong	–	–	26	26
Sharon Yeoh Kar Choo	–	–	26	26
Ling Kai Huat	–	–	26	26
Total	1,135	–	108	1,243
2017				
Kenny Yap Kim Lee	307	–	–	307
Alvin Yap Ah Seng	276	–	–	276
Andy Yap Ah Siong	276	–	–	276
Lai Chin Yee	276	–	–	276
Tan Tow Ee	–	–	30	30
Chang Weng Leong	–	–	26	26
Sharon Yeoh Kar Choo	–	–	26	26
Ling Kai Huat	–	–	24	24
Total	1,135	–	106	1,241

23 Earnings per share

	Group 2018	Group 2017
Profit attributable to equity holders of the Company ($'000)	402	329
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)	0.35	0.29

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.

The Group has no dilution in its earnings per share at 31 December 2018 and 31 December 2017.

24 Dividends

	Group and Company 2018 $'000	Group and Company 2017 $'000
Final dividend paid of 0.2 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2017	227	–

The directors have proposed a final dividend of $0.002 (2017: $0.002) per ordinary share, one-tier exempt, totalling $227,000 (2017: $227,000) in respect of the financial year ended 31 December 2018. 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 2019.

25 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.

25 Significant related party transactions (continued)

Key management personnel compensation comprised:

	Group	
	2018	2017
	$'000	$'000
Short-term employee benefits		
- directors of the Company	1,243	1,241
- other key management personnel	1,328	1,323
	2,571	2,564

Other related party transactions

As mentioned in Note 10, trade and other receivables amounting to approximately $7.3 million (2017: $7.3 million) due from a former subsidiary 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 with effect from January 2012 for the guarantee from a major shareholder of the Company.

Other than disclosed elsewhere in the financial statements, the transactions with related parties at terms agreed between the parties, are as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Sales to subsidiaries	–	–	3,205	3,260
Purchases from subsidiaries	–	–	1,713	1,076
Sales to associate	–	175	–	175
Purchases from associate	–	34	–	34
Guarantee fee paid to a major shareholder of the Company	30	31	30	31
Consultancy fees paid to a company in which a director has a substantial interest	8	8	8	8

26 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.

Notes to the Financial Statements (cont'd)

26 Operating segments (continued)

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.

Information about reportable segments

	Fish $'000	Accessories $'000	Plastics $'000	Others $'000	Total $'000
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
Other segment information					
Expenditure for non-current assets	832	627	445	–	1,904
Other non-cash items:					
Bad trade receivables written off	249	–	–	–	249
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

26 Operating segments (continued)

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

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

26 Operating segments (continued)

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
2018					
Revenue from external customers	25,312	43,923	7,952	8,480	85,667
Segment non-current assets	27,871	4,473	–	–	32,344
Segment assets	56,143	23,664	–	–	79,807
2017					
Revenue from external customers	24,508	48,787	8,291	6,238	87,824
Segment non-current assets	27,101	5,864	–	–	32,965
Segment assets	54,207	27,427	–	–	81,634

Major customers

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

27 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.

27 Financial risk management (continued)

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Impairment loss on trade receivables	96	616	79	487

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:

	2018		2017	1 January 2017
	Not credit-impaired $'000	Credit-impaired $'000	$'000	$'000
Group				
- Four or more years' trading history with the Group*	20,912	–	21,277	22,396
- Less than four years' trading history with the Group*	3,362	–	3,451	3,690
- Higher risk	1,003	481	2,353	2,377
Total gross carrying amount	25,277	481	27,081	28,463
Loss allowance	(1,003)	(481)	(2,353)	(2,377)
	24,274	–	24,728	26,086
Company				
- Four or more years' trading history with the Group*	16,763	–	15,986	16,301
- Less than four years' trading history with the Group*	1,289	–	1,278	1,672
- Higher risk	616	481	2,157	2,289
Total gross carrying amount	18,668	481	19,421	20,262
Loss allowance	(616)	(481)	(2,157)	(2,289)
	18,052	–	17,264	17,973

* *Excluding 'higher risk'*

27 Financial risk management (continued)

Comparative information under FRS 39

The ageing of loans and receivables that were past due but not impaired is as follows:

	Group		Company	
	2017	1 January 2017	2017	1 January 2017
	$'000	$'000	$'000	$'000
Neither past due nor impaired	16,574	8,161	22,421	14,219
Past due 1-30 days	3,716	3,598	1,756	1,599
Past due 31-60 days	1,591	1,563	817	980
Past due 31-90 days	1,546	2,950	556	1,954
Past due more than 90 days	5,212	14,451	4,218	13,574
	28,639	30,723	29,768	32,326

The Group's and the Company's impaired trade and other receivables at 31 December 2017 had a gross carrying amount of $2,353,000 and $2,157,000 respectively (1 January 2017: $2,377,000 and $ 2,289,000 respectively). At 31 December 2017, the individual impairment losses of the Group and of the Company related to several customers who had indicated that they were not able to repay their outstanding balances, mainly due to economic circumstances.

Expected credit loss assessment for customers as at 1 January and 31 December 2018

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.

The following table provides information about the exposure to credit risk and ECLs for current trade receivables for customers as at 31 December 2018:

	Weighted average loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Group				
Current (not past due)	0.00	13,462	–	No
Past due 1 – 30 days	0.00	3,539	–	No
Past due 31 – 60 days	0.00	1,576	–	No
Past due 61 – 90 days	0.00	691	–	No
Past due more than 90 days	22.87	6,490	(1,484)	Yes
		25,758	(1,484)	

27 Financial risk management (continued)

Expected credit loss assessment for customers as at 1 January and 31 December 2018 (continued)

	Weighted average loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Company				
Current (not past due)	0.00	11,066	–	No
Past due 1 – 30 days	0.00	1,747	–	No
Past due 31 – 60 days	0.00	879	–	No
Past due 61 – 90 days	0.00	382	–	No
Past due more than 90 days	21.62	5,075	(1,097)	Yes
		19,149	(1,097)	

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group $'000	Company $'000
At 1 January 2017 per FRS 39	2,377	2,289
Impairment loss recognised	616	487
Amounts written off against impairment loss made	(642)	(619)
Translation differences on consolidation	2	–
At 31 December 2017 per FRS 39	2,353	2,157

	Lifetime ECL	
	Group $'000	Company $'000
At 1 January 2018 per FRS 39	2,353	2,157
Adjustment on initial application on SFRS(I) 9	788	401
At 1 January 2018 per SFRS(I) 9	3,141	2,558
Impairment loss recognised	96	79
Amounts written off against impairment loss made	(1,695)	(1,540)
Disposal of subsidiary	(62)	–
Translation differences on consolidation	4	–
At 31 December 2018 per SFRS(I) 9	1,484	1,097

Non trade amounts due from subsidiaries

The Company held non trade receivables from its subsidiaries of $1,858,000 (2017: $2,834,000; 1 January 2017: $2,843,000). 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 trade and 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.

27 Financial risk management (continued)

Cash and cash equivalents

The Group and Company held cash and cash equivalents of $11,491,000 and $5,673,000 as 31 December 2018 (2017: $11,124,000 and $6,218,000; 1 January 2017: $8,723,000 and $5,236,000). 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 trade and 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.

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.

27 Financial risk management (continued)

Sensitivity analysis (continued)

	Group $'000	Company $'000
31 December 2018		
US Dollar	(538)	(417)
Euro	(48)	(22)
Malaysian Ringgit	(307)	–
Thai Baht	(94)	48
Chinese Renminbi	(54)	(48)
Australian Dollar	21	21
Hong Kong Dollar	5	5
New Taiwan Dollar	8	8
Indonesian Rupiah	(5)	–
31 December 2017		
US Dollar	(477)	(314)
Euro	(43)	(35)
Malaysian Ringgit	(201)	1
Thai Baht	(142)	–
Chinese Renminbi	(178)	(113)
Australian Dollar	29	29
Hong Kong Dollar	9	9
New Taiwan Dollar	25	25
Indonesian Rupiah	10	–

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.

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:

27 Financial risk management (continued)

Interest rate risk **(continued)**

	Within 1 year $'000	1 to 5 years $'000	Total $'000
Group			
2018			
Financial liabilities			
Fixed rate			
Bills payable to banks	407	–	407
Finance lease liabilities	223	216	439
	630	216	846
Floating rate			
Bank term loans	16,700	–	16,700
2017			
Financial liabilities			
Fixed rate			
Thai Baht loan	65	–	65
Bills payable to banks	766	–	766
Finance lease liabilities	208	246	454
	1,039	246	1,285
Floating rate			
Bank term loans	15,000	–	15,000
Group			
1 January 2017			
Financial liabilities			
Fixed rate			
Thai Baht loan	142	–	142
Bills payable to banks	354	–	354
Finance lease liabilities	209	364	573
	705	364	1,069
Floating rate			
Bank term loans	14,500	–	14,500

27 Financial risk management (continued)

Interest rate risk **(continued)**

	Within 1 year $'000	1 to 5 years $'000	Total $'000
Company			
2018			
Financial liabilities			
Fixed rate			
Bills payable to banks	370	–	370
Finance lease liabilities	136	148	284
	506	148	654
Floating rate			
Bank term loans	16,700	–	16,700
2017			
Financial liabilities			
Fixed rate			
Bills payable to banks	532	–	532
Finance lease liabilities	85	144	229
	617	144	761
Floating rate			
Bank term loans	15,000	–	15,000
1 January 2017			
Financial liabilities			
Fixed rate			
Bills payable to banks	197	–	197
Finance lease liabilities	74	241	315
	271	241	512
Floating rate			
Bank term loans	14,500	–	14,500

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.

27 Financial risk management (continued)

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	
Group	**100 bp Increase $'000**	**100 bp Decrease $'000**
31 December 2018		
Floating rate instruments	(167)	167
31 December 2017		
Floating rate instruments	(150)	150
Company		
31 December 2018		
Floating rate instruments	(167)	167
31 December 2017		
Floating rate instruments	(150)	150

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 (2017: $1.7 million).

27 Financial risk management (continued)

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 $'000	Other financial liabilities $'000	Total carrying amount $'000
2018			
Financial assets			
Trade and other receivables #	27,525	–	27,525
Cash and cash equivalents	11,491	–	11,491
	39,016	–	39,016
Financial liabilities			
Finance lease liabilities	–	(439)	(439)
Bank term loans	–	(16,700)	(16,700)
Bills payable to banks	–	(407)	(407)
Trade and other payables *	–	(10,782)	(10,782)
	–	(28,328)	(28,328)

Group	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
2017			
Financial assets			
Trade and other receivables #	28,639	–	28,639
Cash and cash equivalents	11,124	–	11,124
	39,763	–	39,763
Financial liabilities			
Finance lease liabilities	–	(454)	(454)
Bank term loans	–	(15,065)	(15,065)
Bills payable to banks	–	(766)	(766)
Trade and other payables *	–	(13,023)	(13,023)
	–	(29,308)	(29,308)

27 Financial risk management (continued)

Group	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
1 January 2017			
Financial assets			
Trade and other receivables #	30,723	–	30,723
Cash and cash equivalents	8,723	–	8,723
	39,446	–	39,446
Financial liabilities			
Finance lease liabilities	–	(573)	(573)
Bank term loans	–	(14,642)	(14,642)
Bills payable to banks	–	(354)	(354)
Trade and other payables *	–	(10,867)	(10,867)
	–	(26,436)	(26,436)

Company	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000
2018			
Financial assets			
Trade and other receivables #	29,451	–	29,451
Cash and cash equivalents	5,673	–	5,673
	35,124	–	35,124
Financial liabilities			
Finance lease liabilities	–	(284)	(284)
Bank term loans	–	(16,700)	(16,700)
Bills payable to banks	–	(370)	(370)
Trade and other payables *	–	(6,593)	(6,593)
	–	(23,947)	(23,947)

27 Financial risk management (continued)

	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000
Company			
2017			
Financial assets			
Trade and other receivables #	29,768	–	29,768
Cash and cash equivalents	6,218	–	6,218
	35,986	–	35,986
Financial liabilities			
Finance lease liabilities	–	(229)	(229)
Bank term loans	–	(15,000)	(15,000)
Bills payable to banks	–	(532)	(532)
Trade and other payables *	–	(7,396)	(7,396)
	–	(23,157)	(23,157)
1 January 2017			
Financial assets			
Trade and other receivables #	32,326	–	32,326
Cash and cash equivalents	5,236	–	5,236
	37,562	–	37,562
Financial liabilities			
Finance lease liabilities	–	(315)	(315)
Bank term loans	–	(14,500)	(14,500)
Bills payable to banks	–	(197)	(197)
Trade and other payables *	–	(5,915)	(5,915)
	–	(20,927)	(20,927)

Excludes prepayments, advances to suppliers and deposits for purchase of property, plant and equipment.

* *Excludes advance received from customers.*

28 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.

28 Measurement of fair values (continued)

Investment property

Investment property relates to freehold land held by the Group. Its fair value is estimated by an independent valuer using direct comparison method of valuation. The method entails analysis of sales and listings of similar properties in the locality and the value of the property is arrived at by comparison after making adjustments for differences in location, size, neighbourhood and other relevant factors. The significant unobservable inputs include adjustments to price per square feet at comparable properties.

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. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

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 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group and Company				
31 December 2018				
Breeder stocks	–	–	121	121
31 December 2017				
Breeder stocks	–	–	97	97
1 January 2017				
Breeder stocks	–	–	67	67

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.

28 Measurement of fair values (continued)

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).

29 Disposal of subsidiary

During the current 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 $'000
Property, plant and equipment	37
Inventories	1,054
Trade and other receivables	728
Cash and cash balances	419
Trade and other payables	(706)
Due to	
- holding company	(295)
- related companies	(103)
Net assets disposed	1,134
Gain on disposal of a subsidiary	66
Total consideration	1,200
Less:	
Cash and cash balances on disposal of subsidiary	(419)
Deferred cash settlement	(1,080)
Net cash outflow on disposal of subsidiary	(299)

Shanghai Qian Hu Aquarium and Pets Co., Ltd, contribute a net loss after tax of $3,000 for the period from 1 January 2018 to 30 September 2018.

Notes to the Financial Statements (cont'd)

30 Commitments

At 31 December, the Group has operating lease commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2018	2017
	$'000	$'000
Payable:		
- Within 1 year	41	81
- After 1 year but within 5 years	–	48
	41	129

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

31 Explanation of transition to SFRS(I)s and adoption of new standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)s). SFRS(I)s comprise standards and interpretations that are equivalent to International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I)s with effect from annual periods beginning on or after 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I)s.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRSs.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

31 Explanation of transition to SFRS(I)s and adoption of new standards (continued)

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 9.

An explanation of how the transition from previous FRSs to SFRS(I)s and the adoption of SFRS(I) 9 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's profit or loss and other comprehensive income and statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I)s.

Reconciliation of the Group's equity
Consolidated statement of financial position

	31 December 2017			1 January 2018	
	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS (I) framework $'000
Assets					
Non-current assets	32,965	–	32,965	–	32,965
Trade and other receivables	21,864	–	21,864	(788)	21,076
Others	26,805	–	26,805	–	26,805
Current assets	48,669	–	48,669	(788)	47,881
Total assets	81,634	–	81,634	(788)	80,846
Equity					
Share capital	30,773	–	30,773	–	30,773
Retained earnings	19,139	(1,037)	18,102	(722)	17,380
Translation reserve	(993)	1,037	44	–	44
Equity attributable to owners of the Company	48,919	–	48,919	(722)	48,197
Non-controlling interests	2,716	–	2,716	(66)	2,650
Total equity	51,635	–	51,635	(788)	50,847
Liabilities					
Non-current liabilities	303	–	303		303
Current liabilities	29,696	–	29,696	–	29,696
Total liabilities	29,999	–	29,999	–	29,999
Total equity and liabilities	81,634	–	81,634	(788)	80,846

Notes to the Financial Statements (cont'd)

31 Explanation of transition to SFRS(I)s and adoption of new standards (continued)

Reconciliation of the Group's equity
Consolidated statement of financial position (continued)

	1 January 2017		
	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000
Assets			
Non-current assets	28,714	–	28,714
Current assets	48,950	–	48,950
Total assets	77,664	–	77,664
Equity			
Share capital	30,773	–	30,773
Retained earnings	18,810	(1,037)	17,773
Translation reserve	(1,037)	1,037	–
Equity attributable to owners of the Company	48,546	–	48,546
Non-controlling interests	1,948	–	1,948
Total equity	50,494	–	50,494
Liabilities			
Non-current liabilities	414	–	414
Current liabilities	26,756	–	26,756
Total liabilities	27,170	–	27,170
Total equity and liabilities	77,664	–	77,664

31 Explanation of transition to SFRS(I)s and adoption of new standards (continued)

Reconciliation of the Company's equity
Statement of financial position for the Company

	31 December 2017			1 January 2018	
	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS (I) framework $'000
Assets					
Non-current assets	29,735	–	29,735	–	29,735
Trade and other receivables	21,311	–	21,311	(401)	20,910
Others	12,988	–	12,988	–	12,988
Current assets	34,299	–	34,299	(401)	33,898
Total assets	64,034	–	64,034	(401)	63,633
Equity					
Share capital	30,773	–	30,773	–	30,773
Retained earnings	9,687	(19)	9,668	(401)	9,267
Translation reserve	(10)	19	9	–	9
Equity attributable to owners of the Company	40,450	–	40,450	(401)	40,049
Liabilities					
Non-current liabilities	144	–	144		144
Current liabilities	23,440	–	23,440	–	23,440
Total liabilities	23,584	–	23,584	–	23,584
Total equity and liabilities	64,034	–	64,034	(401)	63,633

31 Explanation of transition to SFRS(I)s and adoption of new standards (continued)

Reconciliation of the Company's equity
Statement of financial position for the Company (continued)

	1 January 2017		
	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000
Assets			
Non-current assets	26,242	–	26,242
Current assets	36,296	–	36,296
Total assets	62,538	–	62,538
Equity			
Share capital	30,773	–	30,773
Retained earnings	10,537	(19)	10,518
Translation reserve	(19)	19	–
Equity attributable to owners of the Company	41,291	–	41,291
Liabilities			
Non-current liabilities	241	–	241
Current liabilities	21,006	–	21,006
Total liabilities	21,247	–	21,247
Total equity and liabilities	62,538	–	62,538

31 Explanation of transition to SFRS(I)s and adoption of new standards (continued)

Notes to the reconciliations

A SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) Foreign currency translation reserve (FCTR)

The Group and the Company considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods. The Group and the Company elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of $1,037,000 and $19,000 respectively as at 1 January 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR of the Group and the Company increased by $1,037,000 and $19,000 respectively and retained earnings decreased by the same amount as at 31 December 2017.

B SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held; and
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

Notes to the Financial Statements (cont'd)

31 Explanation of transition to SFRS(I)s and adoption of new standards (continued)

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 3.3(b).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's and Company's financial assets as at 1 January 2018.

			1 January 2018	
	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 $'000	New carrying amount under SFRS(I) 9 $'000
Group				
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	28,639	27,851
Cash and cash equivalents	Loans and receivables	Amortised cost	11,124	11,124
Total financial assets			39,763	38,975
Company				
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	29,768	29,367
Cash and cash equivalents	Loans and receivables	Amortised cost	6,218	6,218
Total financial assets			35,986	35,585

Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of $788,000 and $401,000 in the allowance for impairment was recognised in opening retained earnings of the Group and of the Company at 1 January 2018 respectively on transition to SFRS(I) 9.

31 **Explanation of transition to SFRS(I)s and adoption of new standards (continued)**

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables, separately in the statement of profit or loss. As a result, the Group reclassified impairment loss amounting to $616,000, recognised under FRS 39, from 'general and administrative expenses' to 'impairment loss on trade receivable' in the consolidated statement profit or loss for the year ended 31 December 2017.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

	Group $'000	Company $'000
Loss allowance at 31 December 2017 under FRS 39	2,353	2,157
Additional impairment recognised at 1 January 2018 on trade receivables as at 31 December 2017	788	401
Loss allowance at 1 January 2018 under SFRS(I) 9	3,141	2,558

Loss allowance for financial assets are measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Group and the Company measure the allowance for impairment is described in Note 27.

(iii) Transition impact on equity

The following table summarises the impact, net of tax, of transition to SFRS(I) 9 on retained earnings and NCI at 1 January 2018.

	Impact on adoption on SFRS(I) 9 at 1 January 2018	
	Group $'000	Company $'000
Retained earnings		
Closing balance under FRS 39 (31 December 2017)	18,102	9,668
Recognition of expected credit losses under SFRS(I) 9	(722)	(401)
Opening balance under SFRS(I) 9 (1 January 2018)	17,380	9,267
Non-controlling interests		
Closing balance under FRS 39 (31 December 2017)	2,716	–
Recognition of expected credit losses under SFRS(I) 9	(66)	–
Opening balance under SFRS(I) 9 (1 January 2018)	2,650	–

Notes to the Financial Statements (cont'd)

32 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group 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 effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- 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)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

32 New standards and interpretations not yet adopted (continued)

i. The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio of warehouse and factory facilities leases. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group and the Company expect an increase in ROU assets and lease liabilities of $1.0 million and $0.3 million respectively.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Company's finance leases.

Statistics of Shareholders

As at 4 February 2019

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	204	8.50	7,263	0.00
100 - 1,000	418	17.42	200,483	0.18
1,001 - 10,000	1,055	43.98	4,902,575	4.32
10,001 - 1,000,000	700	29.18	33,203,864	29.25
1,000,001 and above	22	0.92	75,212,282	66.25
Total	2,399	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	2,419,501	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	Choo Chee Kiong	2,500,000	2.20
10	Hong Leong Finance Nominees Pte Ltd	2,469,500	2.17
11	Yap Chew Ring	2,424,475	2.14
12	Ang Hao Yao (Hong Haoyao)	1,935,740	1.71
13	Phillip Securities Pte Ltd	1,803,047	1.59
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
		72,971,479	64.28

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, 44.42% of the issued share capital of the Company was held in the hands of the public as at 4 February 2019. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Thursday, 28 March 2019 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 2018 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a final dividend of 0.2 cents Singapore Dollar per ordinary share one-tier tax exempt for the financial year ended 31 December 2018. **[Resolution 2]**

3 To re-elect Ms Lai Chin Yee, who is retiring by rotation in accordance with Regulation 91 of the Company's Constitution, as Director of the Company. **[Resolution 3]**

4 To re-elect Dr Ling Kai Huat, 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 (a)]

5 To note Mr Andy Yap Ah Siong 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 2018. (2017: S$106,000) **[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 Resolutions, 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

(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 (b)]** **[Resolution 7]**

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
28 February 2019

Explanatory Notes:

(a) Dr Ling Kai Huat, if re-elected, will remain as a member of the Company's Audit Committee and Nominating Committee and will also continue to remain as the Chairman of the Risk Management Committee. Dr Ling Kai Huat will be considered as an Independent Director of the Company.

(b) 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.

Note:

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 12 April 2019 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 11 April 2019 will be registered to determine shareholders' entitlements to the said dividend.

Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 11 April 2019 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Twentieth Annual General Meeting to be held on 28 March 2019, will be paid on 25 April 2019.

By Order of the Board

Lai Chin Yee
Company Secretary

Singapore
28 February 2019

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 28 March 2019. 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

To facilitate your attendance at our AGM on **28 March 2019**, 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.

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, 28 March 2019 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*
AS ORDINARY BUSINESS			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2	Payment of proposed final dividend		
3	Re-election of Ms Lai Chin Yee as director		
4	Re-election of Dr Ling Kai Huat 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" with a "✓" within the boxes provided.*

Dated this ________________ day of ________________ 2019

____

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 28 February 2019.

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

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