



QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

RESPONSE TO SGX QUERY

The Board of Directors of Qian Hu Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to respond to the following clarification sought by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 16 January 2024:-

SGX-ST’s query:

We refer to the Company’s FY2023 full year results announced on 12 January 2024. We note that the Company recorded a loss on biological assets of \$7.4 million due to the disposal of a substantial portion of its brooder stocks of dragon fish. This resulted in a significant decrease in the Group’s biological assets to only \$0.1 million (31 Dec 2022: \$7.9 million). Noting that the disposal amount is significant in comparison to the Group’s net assets of \$41.7 million as at 31 Dec 2023 and loss before tax of \$9.2 million for FY2023:

1) clarify who the dragon fish were disposed to, the manner of disposal of the dragon fish, and the consideration received; and

2) elaborate on whether Chapter 10 of the Listing Manual is applicable to the significant disposal which resulted in the significant loss.

Company’s Response:

Included in the Group’s fish business segment is the breeding of dragon fish for sale. Brooder stocks are parent stocks of dragon fish held for use in the breeding of dragon fish. These brooder stocks are subjected to an annual impairment assessment to determine their recoverable amount, based on the value-in-use (discounted cash flow) method, which involve the estimation of production yield and growth rates, corroborating with past performance and/or relevant market data.

In order to ensure that the estimated recoverable amount of the brooder stocks exceeds their carrying value (i.e. no impairment loss), the management constantly monitors and tracks the mortality rate and the production yield of these brooder stocks (including the projected revenue growth derived from the sales of their off-springs) and makes the necessary substitutions to the pool of brooder stocks held, such as acquiring new brooder stocks and disposing the unproductive ones. These replacements of brooder stocks are ad-hoc and conducted when necessary. The Group had also carried out swapping of brooder stocks species in FY 2016 and FY 2022 with the intention of discontinuing the breeding of certain species, which resulted in the loss on disposal of biological assets.

As disclosed in the Company’s results announcement for the financial year ended 31 December 2023 (“**FY 2023**”) released on 12 January 2024 via the SGXNET, the mass market dragon fish species have experienced oversaturation and declining prices over the past years. Coupled with the low birth rates of the brooder stocks due to unfavourable weather conditions, it had affected the performance of the Group’s ornamental fish business. In accordance with the relevant accounting standards, the management has performed an annual impairment assessment on these brooder stocks for FY 2023 which signified a considerable amount of impairment loss on these brooder stocks. This was shortly after an impairment loss was registered in FY 2020.

After much deliberation, the Group made a strategic decision to reduce its efforts in dragon fish breeding and to let go of a substantial portion of the brooder stocks in order to free up valuable resources and land space to be redeployed to explore new business activities that would generate better value for the Group. The Group will only focus on the production of selected higher-value albino varieties of dragon fish, as well as implementing new strategies to grow its dragon fish trading business. The earthen ponds vacated by the brooder stocks will be converted to carry out the breeding and farming of certain species of ornamental fish in Singapore using the innovative Aqua-

Ring Technology (ART) system which is an environmentally friendly integrated energy-efficient system with zero discharge. This move is to shore up resilience in the Group's ornamental fish supply chain as it expects this innovative technology to yield more fish in a much shorter time and in a more sustainable manner as well.

The Group has commenced giving away these brooder stocks to two unrelated farms in Malaysia who have shown interests in having them and who have the capacity to accommodate them. The Group has also donated a number of these brooder stocks to several schools in Singapore and is in discussion with the Singapore Zoological Gardens to take over some of them. As the Group has plans in place to increase the pond capacity for the breeding of ornamental fish using the ART system, it is expecting to complete the process of clearing the ponds and the delivery of the brooder stocks by the first half of 2024.

Chapter 10 of the Listing Manual excludes transactions conducted in the ordinary course of business. As it is not unusual for the breeding business to have to replace and dispose brooder stocks to ensure sustainability and the quality of their off-springs, as such, gain/loss on biological assets is inevitable. The significant amount of loss on biological assets incurred in FY 2023 was due to adverse market conditions. By holding on to these biological assets with a significantly lower recoverable amount, the Group would have to record an impairment loss on these assets at the reporting date, notwithstanding.

The Company had, on 28 December 2023, released a profit guidance announcement in relation to the financial performance of the Group for FY 2023 following a preliminary review of its financial results. The audited financial results for FY 2023 were released on 12 January 2024.

BY ORDER OF THE BOARD

KENNY YAP KIM LEE
EXECUTIVE CHAIRMAN
18 JANUARY 2024