

## QIAN HU CORPORATION LIMITED

### Full Year Financial Statement And Dividend Announcement

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	-----	Group	-----	-----	Company	-----
	31/12/2002 \$'000	31/12/2001 \$'000	Change %	31/12/2002 \$'000	31/12/2001 \$'000	Change %
<b>Turnover</b>	<b>62,693</b>	<b>41,249</b>	<b>52.0</b>	<b>51,865</b>	<b>33,165</b>	<b>56.4</b>
Cost of sales	(40,515)	(26,466)	53.1	(36,683)	(22,012)	66.7
<b>Gross Profit</b>	<b>22,178</b>	<b>14,783</b>	<b>50.0</b>	<b>15,182</b>	<b>11,153</b>	<b>36.1</b>
Other operating income	652	639	2.0	533	636	(16.2)
	<b>22,830</b>	<b>15,422</b>	<b>48.0</b>	<b>15,715</b>	<b>11,789</b>	<b>33.3</b>
Selling & distribution expenses	(2,243)	(1,621)	38.4	(1,502)	(1,345)	11.7
Personnel expenses	(6,885)	(5,643)	22.0	(5,031)	(4,131)	21.8
Exchange gain/(loss)	(93)	189	(149.2)	16	77	(79.2)
Other general & administration expenses	(4,987)	(3,837)	30.0	(2,894)	(2,471)	17.1
Interest expenses	(180)	(139)	29.5	(152)	(122)	24.6
Interest income	7	9	(22.2)	4	3	33.3
<b>Profit before taxation</b>	<b>8,449</b>	<b>4,380</b>	<b>92.9</b>	<b>6,156</b>	<b>3,800</b>	<b>62.0</b>
Share of associates results	139	(7)	NM	-	-	-
	<b>8,588</b>	<b>4,373</b>	<b>96.4</b>	<b>6,156</b>	<b>3,800</b>	<b>62.0</b>
Taxation	(2,053)	(863)	137.9	(1,350)	(650)	107.7
	<b>6,535</b>	<b>3,510</b>	<b>86.2</b>	<b>4,806</b>	<b>3,150</b>	<b>52.6</b>
Minority interest	12	48	(75.0)	-	-	-
<b>Net profit attributable to members of the Company</b>	<b>6,547</b>	<b>3,558</b>	<b>84.0</b>	<b>4,806</b>	<b>3,150</b>	<b>52.6</b>
Depreciation & amortisation included in :						
- Cost of sales	69	36		-	-	
- General & administration expenses	1,342	1,140		828	809	
	<b>1,411</b>	<b>1,176</b>	<b>20.0</b>	<b>828</b>	<b>809</b>	<b>2.3</b>
Gross profit Margin	35.4%	35.8%		29.3%	33.6%	
Net profit Margin	10.4%	8.6%		9.3%	9.5%	

Return on Equity	23.5%	20.7%		19.4%	20.0%	
	-----	<b>Group</b>	-----	-----	<b>Company</b>	-----
	<b>31/12/2002</b>	<b>31/12/2001</b>	<b>Change</b>	<b>31/12/2002</b>	<b>31/12/2001</b>	<b>Change</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Sales reported						
- first half year	27,817	19,866	40.0	22,392	16,167	38.5
- second half year	34,876	21,383	63.1	29,473	16,998	73.4
	<b>62,693</b>	<b>41,249</b>		<b>51,865</b>	<b>33,165</b>	
Net Profit reported						
- first half year	2,917	1,592	83.2	2,231	1,506	48.1
- second half year	3,630	1,966	84.6	2,575	1,644	56.6
	<b>6,547</b>	<b>3,558</b>		<b>4,806</b>	<b>3,150</b>	

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31/12/2002</b>	<b>31/12/2001</b>	<b>31/12/2002</b>	<b>31/12/2001</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Share capital and reserves</b>				
Share capital	10,297,070	8,276,200	10,297,070	8,276,200
Reserves	17,580,344	8,895,840	14,525,186	7,465,052
	<b>27,877,414</b>	<b>17,172,040</b>	<b>24,822,256</b>	<b>15,741,252</b>
Minority interest	348,564	60,777	-	-
	<b>28,225,978</b>	<b>17,232,817</b>	<b>24,822,256</b>	<b>15,741,252</b>
<b>Fixed assets</b>	7,818,045	6,334,095	4,468,406	3,864,814
<b>Biological assets</b>	1,371,930	1,401,120	1,371,930	1,401,120
<b>Subsidiaries</b>	-	-	2,679,640	2,450,844
<b>Associates</b>	-	314,949	28,722	327,931
<b>Quoted equity investments, at cost</b>	3,820	4,018	-	-
<b>Trademarks/customer acquisition cost, product listing fees</b>	87,913	97,672	74,193	91,233
<b>Land use rights</b>	212,653	227,308	-	-
<b>Advance in lieu of investment</b>	-	28,722	-	28,722
<b>Current assets</b>				
Stocks	12,876,214	6,645,089	4,438,586	3,931,623

Trade debtors	12,351,805	8,805,512	7,087,826	6,116,038
Other debtors, deposits and prepayments	786,805	837,348	201,108	174,261
Due from				
- subsidiaries (trade)	-	-	7,181,985	2,491,724
- subsidiaries (non-trade)	-	-	1,927,720	850,108
- associates (trade)	406,452	415,919	406,452	415,919
- associates (non-trade)	-	557,137	-	557,137
Fixed deposits	101,116	97,839	22,568	21,393
Cash and bank balances	7,719,571	1,812,892	6,251,412	1,000,028
	<b>34,241,963</b>	<b>19,171,736</b>	<b>27,517,657</b>	<b>15,558,231</b>
<b>Current liabilities</b>				
Trade creditors	5,809,629	3,552,549	3,328,248	2,513,111
Bills payable to bank	3,204,880	1,152,999	3,204,880	1,152,999
Other creditors and accruals	3,218,628	2,491,715	2,435,455	1,723,514
Due to				
- subsidiaries (trade)	-	-	84,104	14,622
- directors (non-trade)	-	2,309	-	-
Hire purchase creditors, current portion	357,549	224,576	163,635	84,799
Term loan, current portion	-	200,000	-	200,000
Provision for taxation	1,854,013	989,258	1,330,990	762,233
Bank overdraft	-	575,605	-	575,605
	<b>14,444,699</b>	<b>9,189,011</b>	<b>10,547,312</b>	<b>7,026,883</b>
<b>Net current assets</b>	<b>19,797,264</b>	<b>9,982,725</b>	<b>16,970,345</b>	<b>8,531,348</b>
<b>Non-current liabilities</b>				
Hire purchase creditors, non-current portion	(709,180)	(478,134)	(512,980)	(327,147)
Term loan, non-current portion	-	(403,613)	-	(403,613)
Deferred taxation	(356,467)	(276,045)	(258,000)	(224,000)
	<b>28,225,978</b>	<b>17,232,817</b>	<b>24,822,256</b>	<b>15,741,252</b>
Stock turnover (days)	88	78	42	55
Trade debtors turnover (days)	62	66	46	59
Debt Equity Ratio	0.04	0.11	0.03	0.10

Note :

The increase in fixed assets, stocks, trade debtors, trade creditors and bills payables to bank is in accordance with the increase in the Group's operations during the year. In

addition, Guangzhou Wan Jiang, with the following assets and liabilities as at 31 December 2002, became a subsidiary of the Group during the 4th quarter of FY 2002 also contributed to the increase.

	<b>\$'000</b>
Fixed assets	469
Stocks	2,550
Trade debtors	1,320
Trade creditors	1,274

The increase in cash and bank balances as at 31 December 2002 mainly arises from cash generated from operations and the proceeds received from the Placement exercise. (Please refer to cash flows statement for further details)

#### **1(b)(ii) Aggregate amount of group's borrowings and debt securities**

##### **Amount repayable in one year or less, or on demand**

As at 31/12/2002		As at 30/9/2002	
Secured	Unsecured	Secured	Unsecured
NIL	357,549	NIL	525,429

##### **Amount repayable after one year**

As at 31/12/2002		As at 30/9/2002	
Secured	Unsecured	Secured	Unsecured
NIL	709,180	NIL	1,007,725

##### **Details of any collateral**

Not Applicable

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>THE GROUP</b>	<b>1/1/2002 to 31/12/2002 \$</b>	<b>1/1/2001 to 31/12/2001 \$</b>
<b>Cash flows from operating activities</b>		
Profit before taxation and minority interest	8,588,144	4,372,813
Adjustments for:		
Bad trade debts written off	29,589	11,077
Depreciation of fixed assets	1,273,927	960,256
Depreciation of biological assets	29,190	29,190
Fixed assets written off	-	4,712
(Gain) Loss on disposal of		
- land use rights	-	(48,703)
- fixed assets	(83,416)	(30,975)
- an associated company	8,813	-
Gain on divestment in a subsidiary	(9,725)	-
Amortisation of		
- land use rights	4,461	8,994
- trademarks/customer acquisition costs, product listing fees	103,811	177,323
Provision for		
- doubtful trade debts	217,196	69,000
- stock obsolescence written back	-	(450,000)
Share of (profit) loss of associated companies	(138,620)	7,175
Interest expense	180,088	139,016
Interest income	(6,549)	(9,491)
Negative goodwill on consolidation	(29,453)	-
Net effect on exchange differences	(42,493)	57,958
<b>Operating profit before working capital changes</b>	<b>10,124,963</b>	<b>5,298,345</b>
(Increase) decrease in:		
Stocks	(4,103,645)	(1,393,832)
Trade debtors	(3,561,435)	(2,673,928)
Other debtors, deposits and prepayments	735,362	45,858
Due from		
- associates (trade)	9,467	(415,919)
- associates (non-trade)	557,137	(557,137)
Increase (decrease) in:		
Trade creditors	(334,628)	248,443
Bills payable to bank	2,051,881	249,312

Other creditors and accruals	489,769	558,606
Due to directors (non-trade)	(2,309)	(490,285)
<b>Cash generated from operations</b>	<b>5,966,562</b>	<b>869,463</b>
Payment of income tax	(1,108,089)	(708,788)
Interest paid	(180,088)	(139,016)
<b>Net cash generated from operating activities</b>	<b>4,678,385</b>	<b>21,659</b>
<b>Cash flows from investing activities</b>		
Purchase of		
- fixed assets	(1,933,353)	(1,344,129)
- land use rights	-	(31,937)
- quoted equity investment	-	(4,018)
Proceeds from disposal of		
- fixed assets	131,680	160,614
- land use rights	-	130,733
- associates	121,771	-
- subsidiary	20,260	-
Advance for investment	-	(28,722)
Acquisition of a subsidiary, net of cash and cash equivalents	85,309	-
Payment for trademarks/customer acquisition cost, product listing fees	(93,761)	(23,079)
<b>Net cash used in investing activities</b>	<b>(1,668,094)</b>	<b>(1,140,538)</b>
<b>Cash flows from financing activities</b>		
Proceeds from		
- issue of shares to minority shareholders of a subsidiary	-	60,777
- issue of new shares (net)	4,652,287	2,880
Repayment of		
- hire purchase creditors	(203,093)	(346,285)
- term loan	(603,613)	(191,404)
Payment of dividends to shareholders	(376,860)	(312,426)
Interest received	6,549	9,491
<b>Net cash generated from (used in) financing activities</b>	<b>3,475,270</b>	<b>(776,967)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,485,561</b>	<b>(1,895,846)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,335,126</b>	<b>3,230,972</b>
<b>Cash and cash equivalents at end of year</b>	<b>7,820,687</b>	<b>1,335,126</b>
<b>Cash and cash equivalents comprises :</b>		
Fixed deposits	101,116	97,839
Cash and bank balances	7,719,571	1,812,892

Bank overdrafts	-	(575,605)
<b>Cash and cash equivalents at end of year</b>	<b>7,820,687</b>	<b>1,335,126</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>THE GROUP</b>	<b>Share Capital \$</b>	<b>Share premium \$</b>	<b>Revenue reserve \$</b>	<b>Translation reserve \$</b>	<b>Total \$</b>
<b>Balance 1 Jan 2001</b>	<b>8,275,000</b>	<b>2,081,887</b>	<b>3,361,160</b>	<b>25,546</b>	<b>13,743,593</b>
Currency translation differences	-	-	-	87,275	87,275
Net profit for the period	-	-	601,299	-	601,299
Issue of new shares	1,200	1,680	-	-	2,880
<b>Balance at 31 Mar 2001</b>	<b>8,276,200</b>	<b>2,083,567</b>	<b>3,962,459</b>	<b>112,821</b>	<b>14,435,047</b>
Currency translation differences	-	-	-	9,008	9,008
Net profit for the period	-	-	1,124,896	-	1,124,896
Payment of final dividend	-	-	(312,426)	-	(312,426)
<b>Balance at 30 June 2001</b>	<b>8,276,200</b>	<b>2,083,567</b>	<b>4,774,929</b>	<b>121,829</b>	<b>15,256,525</b>
Currency translation differences	-	-	-	(41,603)	(41,603)
Net profit for the period	-	-	497,302	-	497,302
<b>Balance at 30 Sept 2001</b>	<b>8,276,200</b>	<b>2,083,567</b>	<b>5,272,231</b>	<b>80,226</b>	<b>15,712,224</b>
Currency translation differences	-	-	-	124,944	124,944
Net profit for the period	-	-	1,334,872	-	1,334,872
<b>Balance at 31 Dec 2001</b>	<b>8,276,200</b>	<b>2,083,567</b>	<b>6,607,103</b>	<b>205,170</b>	<b>17,172,040</b>
Currency translation differences	-	-	-	(65,870)	(65,870)
Net profit for the period	-	-	1,043,587	-	1,043,587
Issue of new shares	36,500	51,100	-	-	87,600
Capitalisation of share premium for bonus shares	831,270	(831,270)	-	-	-
<b>Balance at 31 Mar 2002</b>	<b>9,143,970</b>	<b>1,303,397</b>	<b>7,650,690</b>	<b>139,300</b>	<b>18,237,357</b>
Currency translation differences	-	-	-	(70,985)	(70,985)
Net profit for the period	-	-	1,873,464	-	1,873,464
Payment of final dividend	-	-	(376,860)	-	(376,860)
Issue of new shares	1,071,800	3,600,520	-	-	4,672,320

Share issue expenses	-	(302,753)	-	-	(302,753)
<b>Balance at 30 June 2002</b>	<b>10,215,770</b>	<b>4,601,164</b>	<b>9,147,294</b>	<b>68,315</b>	<b>24,032,543</b>
Currency translation differences	-	-	-	33,004	33,004
Net profit for the period	-	-	1,885,557	-	1,885,557
Issue of new shares	2,800	3,920	-	-	6,720
<b>Balance at 30 Sept 2002</b>	<b>10,218,570</b>	<b>4,605,084</b>	<b>11,032,851</b>	<b>101,319</b>	<b>25,957,824</b>
Currency translation differences	-	-	-	(13,561)	(13,561)
Net profit for the period	-	-	1,744,751	-	1,744,751
Issue of new shares	78,500	109,900	-	-	188,400
<b>Balance at 31 Dec 2002</b>	<b>10,297,070</b>	<b>4,714,984</b>	<b>12,777,602</b>	<b>87,758</b>	<b>27,877,414</b>

<b>THE COMPANY</b>	<b>Share Capital \$</b>	<b>Share premium \$</b>	<b>Revenue reserve \$</b>	<b>Total \$</b>
<b>Balance 1 Jan 2001</b>	<b>8,275,000</b>	<b>2,081,887</b>	<b>2,543,589</b>	<b>12,900,476</b>
Net profit for the period	-	-	691,127	691,127
Issue of new shares	1,200	1,680	-	2,880
<b>Balance at 31 Mar 2001</b>	<b>8,276,200</b>	<b>2,083,567</b>	<b>3,234,716</b>	<b>13,594,483</b>
Net profit for the period	-	-	814,765	814,765
Payment of final dividend	-	-	(312,426)	(312,426)
<b>Balance at 30 June 2001</b>	<b>8,276,200</b>	<b>2,083,567</b>	<b>3,737,055</b>	<b>14,096,822</b>
Net profit for the period	-	-	551,641	551,641
<b>Balance at 30 Sept 2001</b>	<b>8,276,200</b>	<b>2,083,567</b>	<b>4,288,696</b>	<b>14,648,463</b>
Net profit for the period	-	-	1,092,789	1,092,789
<b>Balance at 31 Dec 2001</b>	<b>8,276,200</b>	<b>2,083,567</b>	<b>5,381,485</b>	<b>15,741,252</b>
Net profit for the period	-	-	916,775	916,775
Issue of new shares	36,500	51,100	-	87,600
Capitalisation of share premium for bonus shares	831,270	(831,270)	-	-
<b>Balance at 31 Mar 2002</b>	<b>9,143,970</b>	<b>1,303,397</b>	<b>6,298,260</b>	<b>16,745,627</b>
Net profit for the period	-	-	1,314,552	1,314,552
Payment of final dividend	-	-	(376,860)	(376,860)
Issue of new shares	1,071,800	3,600,520	-	4,672,320
Share issue expenses	-	(302,753)	-	(302,753)
<b>Balance at 30 June 2002</b>	<b>10,215,770</b>	<b>4,601,164</b>	<b>7,235,952</b>	<b>22,052,886</b>
Net profit for the period	-	-	1,214,778	1,214,778
Issue of new shares	2,800	3,920	-	6,720
<b>Balance at 30 Sept 2002</b>	<b>10,218,570</b>	<b>4,605,084</b>	<b>8,450,730</b>	<b>23,274,384</b>
Net profit for the period	-	-	1,359,472	1,359,472

Issue of new shares	78,500	109,900	-	188,400
<b>Balance at 31 Dec 2002</b>	<b>10,297,070</b>	<b>4,714,984</b>	<b>9,810,202</b>	<b>24,822,256</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

	<b>Number of shares</b>	<b>\$</b>
<b>Share capital</b>		
<b>- ordinary shares of \$0.10 each</b>		
<b>Issued and fully paid</b>		
Balance as at 1 January 2002	82,762,000	8,276,200
Issue of new shares		
- Bonus shares	8,312,700	831,270
- Private Placement	10,000,000	1,000,000
- Exercise of employees' share options	1,896,000	189,600
Balance as at 31 December 2002	<b>102,970,700</b>	<b>10,297,070</b>

During the 4th quarter of FY 2002, 785,000 share options were exercised at \$0.24 per share pursuant to the terms of the Qian Hu Pre-IPO Share Option Scheme ("Pre-IPO Scheme"). As at 31 December 2002, there were 602,000 unexercised share options issued pursuant to the terms of the Pre-IPO Scheme.

In addition, there were options granted to subscribe for 1,594,000 unissued ordinary shares of \$0.10 each in the Company at an exercise price of \$0.59 per share pursuant to the terms of the Qian Hu Post-IPO Share Option Scheme ("Post-IPO Scheme"). As at 31 December 2002, none of these share options were exercised pursuant to the terms of the Post-IPO Scheme.

#### **Use of Placement Proceeds**

The net proceeds from the Placement exercise announced on 9 May 2002, after deducting expenses, was approximately \$4.2 million. As at 31 December 2002, the amount has been partially utilized by our Group's local and overseas operations as working capital set out as follows :

	<b>\$'000</b>
Repayment of bank borrowings	1,828
Farm enhancement, including expansion of packing room	162
Singapore plastics operations	180
China plastics operations	36
Thailand accessories operations	63
China fish & accessories operations	145
	<b>2,414</b>

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The financial statements have been audited in accordance with the Singapore Standards on Auditing.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**



**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Other than the adoption of new Statement of Accounting Standards ("SAS") as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2001.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

During the year ended 31 December 2002, the Group and the Company changed its accounting policies as follows:

**SAS 39, Agriculture**

SAS 39 which took effect for financial years beginning on or after 1 October 2001, establishes accounting and reporting standards for recognizing, measuring and disclosing information relating to agricultural activity, including biological assets. It requires

biological asset, which meet recognition criteria, to be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sales costs. Gain and loss arising from these measurements should be included in the net profit or loss for the period in which it arises. However, where fair value of the biological asset cannot be measured reliably, the biological asset should be stated at cost less accumulated depreciation and any accumulated impairment losses.

AS at 31 December 2002, the Group and of the Company has brooder stocks, which are parent stocks of Dragon Fish, held for the use in the breeding of Dragon Fish, amounting to \$1.37 million. Due to the uniqueness of each Dragon Fish and that active market does not exist for the brooder stock, we believe that the fair value cannot be determined reliably. In compliance with SAS 39, these brooder stocks were carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis so as to write off the cost of these brooder stocks over their estimated lives of 50 years.

### **SAS 12, Income Taxes**

SAS 12, which took effect for financial years beginning on or after 1 April 2001, requires deferred tax to be calculated using the balance sheet liability method. Deferred tax assets should be recognized when it is probable that sufficient taxable profit will be available against which the deferred tax assets can be utilized.

With effect from 1 January 2002, the Group changed its accounting policy with respect to the treatment of deferred taxation in order to conform to the new requirements of SAS 12. The change in accounting policy has no material impact to the retained earnings of the Group and of the Company as at 31 December 2001.

### **6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	<b>31/12/2002</b>	<b>31/12/2001</b>
Earnings per share (EPS) (based on consolidated profit after taxation and minority interest)		
- on weighted average number of shares	6.64 cents	3.91 cents
- on a fully diluted basis	6.58 cents	3.88 cents

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 98,548,648 (31/12/2001: 91,072,760).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period adjusted to

assume conversion of all potential dilutive ordinary shares of 99,476,068 (31/12/2001: 91,656,175).

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31/12/2002</b>	<b>31/12/2001</b>	<b>31/12/2002</b>	<b>31/12/2001</b>
Net asset value per share based on existing issued share capital as at the respective period	27.41 cents	20.82 cents	24.11 cents	19.02 cents

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

**COMMENTARY**

**Turnover**

<b>4th Quarter 2002 vs 4th Quarter 2001</b>	<b>4th Qtr 2002 \$'000</b>	<b>4th Qtr 2001 \$'000</b>	<b>Increased \$'000</b>	<b>%</b>
Fish	5,694	4,746	948	20.0
Accessories	9,951	5,031	4,920	97.8
Plastic & others	1,767	1,817	(50)	(2.8)
	<b>17,412</b>	<b>11,594</b>	<b>5,818</b>	
	<b>FY 2002 \$'000</b>	<b>FY 2001 \$'000</b>	<b>Increased \$'000</b>	<b>%</b>
Fish	24,023	18,314	5,709	31.2
Accessories	31,935	16,646	15,289	91.9
Plastic & others	6,735	6,289	446	7.1
	<b>62,693</b>	<b>41,249</b>	<b>21,444</b>	

For the year ended 31 December 2002, our ornamental fish activities and distribution of accessories continued to be our core activities, which together accounted for 89% of our total turnover. Geographically, our Singapore market continued to be our main market accounting for 55% of our total turnover for the year ended 31 December 2002.

Our turnover increased by \$21.4 million or 52.0% from \$41.3 million for the year ended 31 December 2001 to \$62.7 million for the year ended 31 December 2002. All activities registered growth in turnover. Turnover for ornamental fish, accessories, and plastics and other business increased by \$5.7 million or 31.2%, \$15.3 million or 91.9% and \$0.5 million or 7.1%, respectively for the year ended 31 December 2002 as compared to FY 2001. Comparing to the 4th quarter of FY 2001, turnover for ornamental fish and accessories increased by \$0.9 million or 20.0% and \$4.9 million or 97.8% respectively in the 4th quarter of FY 2002. However, our plastics and other business registered flat growth in the 4th quarter of FY 2002 as compared to its corresponding period in FY 2001.

The turnover of ornamental fish continued to record growth in the 4th quarter of FY 2002. The increase in the turnover of ornamental fish in the last quarter as well as the entire FY 2002 is mainly due to sales of ornamental fish to the growing numbers of local fish retail outlets and to visitors patronizing our in-house retail outlet. We also managed to increase our export of ornamental fish from Singapore and China to more countries. Our subsidiary in Thailand (dealing with fish) and our newly set-up fish division in Malaysia, both commenced their operations in January 2002, have also contributed positively to the turnover of ornamental fish in FY 2002.

With the import deregulations in Taiwan, the sales of Dragon Fish to Taiwan has accounted for approximately 23% of the increase in our sales of ornamental fish in FY 2002.

Our accessories' turnover surged in FY 2002 mainly due to the significant improvement in the turnover from our Malaysia & Thailand subsidiaries as a result of market share gained from these countries. Our overseas operations (including Wan Jiang, which became a subsidiary in the 4th quarter of FY 2002) contributed approximately 65% of the increase in accessories turnover for FY 2002.

In the domestic market, we continue to expand and penetrate our distribution network to more local retailers and supermarkets, which has also resulted in the increase in sales of our accessories products.

Our turnover for plastic and others activities are experiencing flat growth due to local market competitiveness. We managed to generate more sales through focusing on selling more high-value items and expanding our distribution channel to outside Singapore.

On a geographical basis, turnover from Singapore grew 39% in FY 2002 mainly as a result of improved sales of fish & aquarium accessories to local retailers and sales generated from our in-house retail outlets. Turnover from overseas grew by 71.3% in FY2002 compared to FY2001. Both the Singapore and overseas operations' constant effort in expanding our distribution network into untapped markets contributed to the increased in overseas turnover.

## Operating profit before taxation

4th Quarter 2002 vs 4th Quarter 2001	4th Qtr 2002 \$'000	4th Qtr 2001 \$'000	Increased (Decreased) \$'000	%
Fish	420	618	(198)	(32.0)
Accessories	2,411	1,061	1,350	127.2
Plastic & others	87	161	(74)	(46.0)
Unallocated corporate expenses	(437)	(301)	(136)	45.2
	<b>2,481</b>	<b>1,539</b>	<b>942</b>	

  

	FY 2002 \$'000	FY 2001 \$'000	Increased (Decreased) \$'000	%
Fish	2,438	2,086	352	16.9
Accessories	7,278	2,654	4,624	174.2
Plastic & others	272	559	(287)	(51.3)
Unallocated corporate expenses	(1,400)	(926)	(474)	51.2
	<b>8,588</b>	<b>4,373</b>	<b>4,215</b>	

Our operating profit increased by \$4.2 million or 96.4% to \$8.6 million in FY 2002 as compared to \$4.4 million in FY 2001. Profit after taxation increased by 84.0% from \$3.6 million for the year ended 31 December 2001 to approximately \$6.6 million for the year ended 31 December 2002.

During the 4th quarter of FY 2002, our operating profit from ornamental fish dipped notwithstanding the increase in turnover due to a slight dip in the gross profit margin yielded for certain fish species as compared to its corresponding period in FY 2001. In addition, the lower sales of Dragon Fish in the 4th quarter of FY 2002 (due to shortage in supply) have affected the profit margin for our fish business in that quarter. Despite the lower margin attained in FY 2002, operating profit from ornamental fish in FY 2002 was \$0.4 million or 16.9% higher as compared to FY 2001 as a result of the improved sales volume this year.

Our accessories business is the main profit contributor in FY 2002. Throughout the year, with significant increase in sales volume from both our local and overseas operations, and better gross profit margin achieved through backward integration (by setting up a manufacturing base in Guangzhou), we managed to grow our operating profit from the accessories business significantly. In addition, our Thailand subsidiary, which incurred set-up and restructuring costs in FY 2001, managed to be operationally profitable in FY 2002, has contributed to the improved in profitability.

Despite the increase in turnover in FY 2002, our plastics and other business recorded a lower profit. This was as a result of lower gross profit margin (due to market competitiveness), higher operating costs experienced, coupled with losses incurred by one of our subsidiaries in PRC.

Unallocated corporate expenses relate to staff costs and administrative expenses incurred in relation to the overseeing of the Group's operations both locally and overseas. The increase was in line with additional headcount and corporate expenses.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not Applicable

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

We expect our Group to maintain a healthy growth in our turnover and overall profitability for the current year. We will continue to grow our profitability in our sales of ornamental fishes and accessories in Singapore and in the export markets. We will improve on our direct export sales of over 500 species and varieties of ornamental fishes to more than 60 countries.

We have over the last two years significantly expanded our regional distribution networks through our subsidiaries in the PRC, Malaysia and Thailand. Our regional distribution networks are now fully operational and well established. We will optimize our sales of ornamental fishes, in particular, the Dragon Fish, and accessories to the regional markets through our well established distribution networks in the region. We will also take advantage of the import deregulation of ornamental fishes in Taiwan to further penetrate and build up increasing market presence in Taiwan. A substantial part of our growth for the current year will be driven by our overseas operations.

Further information on our current year operations and prospects are highlighted below:-

**Acquisition of Kim Kang Aquaculture Sdn Bhd ("Kim Kang")**

We envisage an increasing demand for Dragon Fishes (or Arowanas) in our regional markets, particularly in our new markets in Taiwan and the PRC, in the coming years. Customers who buy Dragon Fish are invariably well to do and belong to a niche market that is not susceptible to economic cycles. The demand for Dragon Fish has increased substantially over the last few years and we expect such demand to continue in the future.

Kim Kang has the requisite operational capacity, land and infrastructure and brooder stock to supply a substantial number of Dragon Fish to the market. The management and operations team from Kim Kang who will join our Group after the Acquisition have many years of experience in breeding and trading Dragon Fish. The Acquisition will enhance our Group's ability to ride the growth in demand for Dragon Fish in the current year as well as in the coming years.

### **Our Malaysian Subsidiary, Guan Guan**

Guan Guan significantly increased its turnover and profitability in FY 2002. The growth in sales and profitability is expected to be maintained in the current year. We have expanded our distribution network in Malaysia and this is expected to facilitate our growth in the Malaysian sales of accessories this year. The export of ornamental fishes division in Guan Guan is now fully operational and we will commence export sales of fishes in Malaysia this year adding a further positive contribution to our turnover sales in Malaysia.

### **Our Thailand Subsidiaries**

Our two subsidiaries in Thailand, Qian Hu Marketing and Thai Qian Hu, became operationally profitable in FY 2002. The distribution network growth in Thailand will be maintained. This year, we will begin retail sales of accessories in Thailand which we will develop through our distribution networks in Thailand. Our Thailand subsidiaries will increase our direct export sales of ornamental fishes.

### **Our PRC Subsidiaries**

We increased our equity interests in the accessories manufacturing plant in Guanzhou, Wan Jiang, to 60% in the fourth quarter of FY 2002. In FY 2003, we will be able to consolidate the turnover and a higher share of profit of Wan Jiang.

In FY 2003, we will execute a marketing plan to increase market sales of accessories in the PRC. This will be undertaken through the establishment of an accessories marketing and distribution center in Shanghai which will actively promote and drive our accessories sales to the municipalities surrounding Shanghai (central PRC) and supported by Wan Jiang in Guanzhou (the southern region of the PRC) and Qian Yang in Beijing (the northern region of the PRC). We believe this will enhance our growth and profitability in our accessories business in the PRC for the current year.

### **Our Joint Venture Associated Company in Taiwan**

Our sales of pet food in Taiwan is not expected to contribute significantly to our Group's results this year. We will, however, capitalize on our growing contacts and business relationships in Taiwan to build a via duct to promote our sales of ornamental fishes in the newly deregulated Taiwan market in the current year and for the future.

## **RISK FACTORS**

### **Acquisition of Kim Kang**

As in all business acquisitions, there is always an adjustment period before the systems of the new business can be fully integrated into the Group's management and operations. To minimize disruption and to ensure continuity in the operations of Kim Kang after the Acquisition, the original owner of Kim Kang, Mr Goh Siak Ngan, and his team of experienced operations personnel will be employed by our Group. Mr Goh and his wife will continue to hold a 35% equity stake in Kim Kang after the Acquisition and have entered into a shareholders' agreement with our Company to underscore their commitment to further grow Kim Kang as a joint venture with our Company. Our Group has more than 10 years business relationship with Mr Goh and we have over the last decade built a good relationship of trust and confidence with each other.

### **Outbreak of diseases and infection**

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds is uncommon. We have institutionalized a comprehensive health management and quarantine system for all our domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for our fishes. Currently, all our domestic and overseas fish operations have attained ISO 9002 certification.

We will also institutionalize our comprehensive health management and quarantine system in Kim Kang after the completion of our acquisition to minimize any problems regarding health care and hygiene. It should be noted that Kim Kang breeds mainly Dragon Fish which is a very robust and hardy fish existing since pre-historic times. Any disease or bacteria strong enough to affect the Dragon Fish is expected to be very rare.

### **Suppliers and customers and General Business Risks**

None of our suppliers or customers contribute more than 5% of our Group's turnover. While our Group faces the normal business risks associated with ageing collections and slow moving stocks, we have adopted a prudent accounting policy of a general 10% provision for all trade debts overdue for more than 120 days and a full provision for all non-moving stocks of a duration of more than 6 months.

### **Not reliant on the sale of any particular type of fish**

Based on the FY 2002, Luo Han sales contributed approximately 5% of our fish sales and less than 2% of our Group total turnover. We sell over 500 species and varieties of ornamental fishes to more than 60 countries and are not reliant on the sale of any particular type or specimen of fish. Even after the acquisition of Kim Kang, our Group will not be reliant on the sale of the Dragon Fish because of our critical spread of fishes that we sell.

## **Fluctuations in foreign exchange currencies against the Sing Dollar**

In FY 2002, approximately 90% of our sales were denominated in Singapore Dollars. Around 50% of our supplies were purchased in Sing Dollars, while the rest were in Euros, US dollars and the Yen. While our Group does not have any formal hedging policy against foreign exchange fluctuations, we continuously monitor the exchange rates of the major currencies and enter into hedging contracts with our banks from time to time whenever we detect any movements in the respective exchange rates which may impact on our profitability.

### **11. Dividend**

#### ***(a) Current Financial Period Reported On***

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	First & Final	Special Dividend
Dividend Type	Cash	Cash
Dividend Rate	6 % per ordinary share (less tax)	6 % per ordinary share (less tax)
Par value of shares	\$0.10	\$0.10
Tax Rate	22%	22%

#### ***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	First & Final
Dividend Type	Cash
Dividend Rate	6 % per ordinary share (less tax)
Par value of shares	\$0.10
Tax Rate	24.5%

#### ***(c) Date payable***

Subject to shareholders' approval in the Annual General Meeting to be held on 18 March 2003, the dividends will be paid on 10 April 2003.

#### ***(d) Books closure date***

Registrable Transfers received by the Company's Registrar, M&C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5 pm on 28 March 2003 will be registered before entitlements to the proposed dividend are

determined. The Register of Transfer and the Register of Members of the Company will be closed on 31 March 2003 for the payment of dividend.

**12. If no dividend has been declared/recommended, a statement to that effect**

Not Applicable

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

**SEGMENT INFORMATION**

**(i) BUSINESS SEGMENTS (The Group)**

<b>31/12/2002</b>	<b>Fish \$'000</b>	<b>Accessories \$'000</b>	<b>Plastics &amp; others \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
<b>TURNOVER</b>					
External sales	24,023	31,935	6,735	-	62,693
Inter-segment sales	1,625	12,748	1,333	(15,706)	-
<b>Total sales</b>	<b>25,648</b>	<b>44,683</b>	<b>8,068</b>	<b>(15,706)</b>	<b>62,693</b>
<b>RESULTS</b>					
Segment results	2,438	7,139	272	(85)	9,764
Unallocated expenses					(1,142)
					<b>8,622</b>
Financial expenses - net					(173)
Share of profit of associated companies					139
Taxation					(2,053)
Minority interests					12
<b>Net profit for the year</b>					<b>6,547</b>
<b>Net profit margin</b>	<b>10.1%</b>	<b>22.4%</b>	<b>4.0%</b>		
<b>ASSETS &amp; LIABILITIES</b>					
Assets	13,488	22,169	5,177	-	40,834
Investment in associated company					-
Unallocated assets					2,902

<b>Total assets</b>					<b>43,736</b>
Liabilities	4,247	7,822	1,460	-	13,529
Unallocated liabilities					1,982
<b>Total liabilities</b>					<b>15,511</b>
<b>OTHER INFORMATION</b>					
Capital expenditure	1,213	1,099	188	-	2,500
Depreciation and amortisation	628	467	316	-	1,411
Other non-cash expenses (income)	166	(49)	16	-	133

<b>31/12/2001</b>	<b>Fish \$'000</b>	<b>Accessories \$'000</b>	<b>Plastics &amp; others \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
<b>TURNOVER</b>					
External sales	18,314	16,646	6,289	-	41,249
Inter-segment sales	511	3,721	179	(4,411)	-
<b>Total sales</b>	<b>18,825</b>	<b>20,367</b>	<b>6,468</b>	<b>(4,411)</b>	<b>41,249</b>
<b>RESULTS</b>					
Segment results	2,086	2,675	545	21	5,327
Unallocated expenses					(817)
					<b>4,510</b>
Financial expenses - net					(130)
Share of profit of associated companies					(7)
Taxation					(863)
Minority interest					48
<b>Net profit for the year</b>					<b>3,558</b>
<b>Net profit margin</b>	<b>11.4%</b>	<b>16.1%</b>	<b>8.7%</b>		
<b>ASSETS &amp; LIABILITIES</b>					
Assets	11,144	10,582	5,457	-	27,183
Investment in associated companies					315
Unallocated assets					82
<b>Total assets</b>					<b>27,580</b>
Liabilities	3,158	2,919	1,695	-	7,772
Unallocated liabilities					2,575

<b>Total liabilities</b>					<b>10,347</b>
<b>OTHER INFORMATION</b>					
Capital expenditure	389	651	922	-	1,962
Depreciation and amortisation	493	421	262	-	1,176
Other non-cash expenses (income)	73	(455)	(63)	-	(445)

**(ii) GEOGRAPHICAL SEGMENTS (The Group)**

	Turnover	Turnover	Assets	Assets	Capital expenditure	Capital expenditure
	31/12/2002 \$'000	31/12/2001 \$'000	31/12/2002 \$'000	31/12/2001 \$'000	31/12/2002 \$'000	31/12/2001 \$'000
Singapore	34,286	24,666	27,786	20,622	1,470	1,417
Asia	22,065	11,430	15,950	6,958	1,030	545
Europe	4,583	3,891	-	-	-	-
Others	1,759	1,262	-	-	-	-
<b>Total</b>	<b>62,693</b>	<b>41,249</b>	<b>43,736</b>	<b>27,580</b>	<b>2,500</b>	<b>1,962</b>

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not Applicable

**15. A breakdown of sales**

<b>TURNOVER</b>	<b>Fish \$'000</b>	<b>Accessories \$'000</b>	<b>Plastics &amp; others \$'000</b>	<b>Total \$'000</b>
<b>31/12/2002</b>				
Singapore (including domestic sales & sales to Singapore)	12,199	15,641	6,446	34,286
Overseas (including export to & sales in overseas)	11,824	16,294	289	28,407
<b>Total sales</b>	<b>24,023</b>	<b>31,935</b>	<b>6,735</b>	<b>62,693</b>
<b>31/12/2001</b>				
Singapore	9,418	9,009	6,239	24,666
Overseas	8,896	7,637	50	16,583
<b>Total sales</b>	<b>18,314</b>	<b>16,646</b>	<b>6,289</b>	<b>41,249</b>

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	964	377
Preference	0	0
Total:	964	377

**BY ORDER OF THE BOARD**

Kenny Yap Kim Lee  
Executive Chairman and Managing Director  
20/01/2003