

## Listed Companies' Announcement

MASNET No. 24 OF 24.07.2002  
Announcement No. 24



### QIAN HU CORPORATION LIMITED

## Half Year Financial Statement Announcement

The Board of Directors of Qian Hu Corporation Limited is pleased to announce the results of the Group and of the Company for the six months ended 30 June 2002. These figures have not been audited.

		Group			Company		
		\$'000		%	\$'000		%
		30/06/02	30/6/01	Increase/ (Decrease)	30/6/02	30/6/01	Increase/ (Decrease)
1.(a)	Turnover	27,817	19,866	40.0	18,851	14,808	27.3
1.(b)	Cost of sales	(17,605)	(12,845)	37.1	(11,687)	(9,616)	21.5
1.(c)	Gross profit	10,212	7,021	45.5	7,164	5,192	38.0
1.(d)	Investment income	0	0	0	0	0	0
1.(e)	Other income including interest income	0	6	(100.0)	0	3	(100.0)
2.(a)	Operating profit before income tax, minority interests, extraordinary items, interest on borrowings, depreciation and amortisation,	4,393	2,466	78.1	3,237	2,261	43.2

	foreign exchange gain/(loss) and exceptional items						
2.(b)(i)	Interest on borrowings	(56)	(37)	51.4	(45)	(29)	55.2
2.(b)(ii)	Depreciation and amortisation	(702)	(566)	24.0	(423)	(396)	6.8
2.(b)(iii)	Foreign exchange gain/(loss)	9	89	(89.9)	22	40	(45.0)
2.(c)	Exceptional items (provide separate disclosure of items)	0	0	0	0	0	0
		\$'000		%	\$'000		%
		30/06/02	30/6/01	Increase/ (Decrease)	30/6/02	30/6/01	Increase/ (Decrease)
2.(d)	Operating profit before income tax, minority interests and extraordinary items but after interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items	3,644	1,952	86.7	2,791	1,876	48.8
2.(e)	Income derived from associated companies (With	24	15	60.0	0	0	0

	separate disclosure of any items included therein which are exceptional because of size & incidence)						
2.(f)	Operating profit before income tax	3,668	1,967	86.5	2,791	1,876	48.8
2.(g)	Less income tax (Indicate basis of computation)	(775)	(440)	76.1	(560)	(370)	51.4
2.(g)(i)	Operating profit after tax before deducting minority interests	2,893	1,527	89.5	2,231	1,506	48.1
2.(g)(ii)	Less minority interests	24	65	(63.1)	0	0	0
2.(h)	Operating profit after tax attributable to members of the company	2,917	1,592	83.2	2,231	1,506	48.1
2.(i)(i)	Extraordinary items (provide separate disclosure of items)	0	0	0	0	0	0
2.(i)(ii)	Less minority interests	0	0	0	0	0	0
2.(i)(iii)	Extraordinary items attributable to members of the company	0	0	0	0	0	0

		Group			Company		
		\$'000		%	\$'000		%
		30/06/02	30/6/01	Increase/ (Decrease)	30/6/02	30/6/01	Increase/ (Decrease)
2.(i)(iv)	Transfer to/from Exchange Reserve	0	0	0	0	0	0
2.(i)(v)	Transfer to Capital Reserve	0	0	0	0	0	0
2.(i)(vi)	Transfer to Reserve Fund	0	0	0	0	0	0
2.(j)	Operating profit after tax and extraordinary items attributable to members of the company	2,917	1,592	83.2	2,231	1,506	48.1

### Group Figures

	Latest period	Previous corresponding period
3.(a) Operating profit [2(g)(i) above] as a percentage of turnover [1(a) above]	10.40%	7.69%
3.(b) Operating profit [2(h) above] as a percentage of issued capital and reserves at end of the period	12.14%	10.43%
3.(c) Earnings per ordinary share for the period based on 2(h) above :-		
(i) Based on weighted average number of ordinary shares in issue (*)	3.19 cents	1.75 cents
(ii) On a fully diluted basis	3.15 cents	1.74 cents

(To disclose the basis used in arriving at the weighted average number of shares for the purposes of (c)(i) above and to provide details of any adjustments made for the purpose of (c)(ii) above) (#)

- 3.(d) Net tangible asset backing per ordinary share based on existing issued share capital as at the end of the period reported on 23.33 cents 17.91 cents

**3.(e) To provide an analysis of expenses based on their nature within the group for**

**the current and previous corresponding period**

THE GROUP	1st Half 2002 \$'000	1st Half 2001 \$'000	Increased \$'000	%
Selling and distribution	705	671	34	5.1
General and administration	5,807	4,367	1,440	33.0
Financial	56	37	19	51.4
	<b>6,568</b>	<b>5,075</b>	<b>1,493</b>	<b>29.4</b>

Included in general and administration expenses is personnel expenses amounted to \$3.3 million (30/6/2001 : \$2.6 million).

**\* Note to 3(c)(i)**

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 91,455,774 (30/6/2001: 91,033,800).

**# Note 3(c)(ii)**

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 92,482,207 (30/6/2001: 91,662,390).

Item 4 is not applicable to interim results	Group		%	Company		%
	\$'000			\$'000		
	30/06/02	30/6/01	Increase/ (Decrease)	30/6/02	30/6/01	Increase/ (Decrease)
4.(a) Sales reported for first half year						
4.(b) Operating profit [2(g)(i) above] reported for first half year						

4.(c) Sales reported for second half year

4.(d) Operating profit  
[2(g)(i) above]  
reported for second half year

**5.(a) Amount of any adjustment for under or overprovision of tax in respect of prior years**

There was no adjustment for under or overprovision of tax in respect of prior years.

**5.(b) Amount of any pre-acquisition profits**

There was no pre-acquisition profits included in the results reported.

**5.(c) Amount of profits on any sale of investments and/or properties**

▶ *Item 5c Table*

**5.(d) Any other comments relating to Paragraph 5**

Not Applicable

## **6. Segmental Results**

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

<b>30/6/2002</b>	<b>Fish \$'000</b>	<b>Accessories \$'000</b>	<b>Plastic &amp; Others \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
<b>TURNOVER</b>					
External sales	11,990	12,560	3,267	-	27,817
Inter-segment sales	585	3,767	636	(4,988)	-
<b>Total sales</b>	<b>12,575</b>	<b>16,327</b>	<b>3,903</b>	<b>(4,988)</b>	<b>27,817</b>

<b>RESULTS</b>					
Segment results	1,645	2,539	163	(82)	4,265
Unallocated expenses					(565)
					<b>3,700</b>
Financial expenses - net					(56)
Share of profit of associated companies					24
Taxation					(775)
Minority interests					24
<b>Net profit for the period</b>					<b>2,917</b>
<b>ASSETS &amp; LIABILITIES</b>					
Assets	12,348	15,480	5,418	-	33,246
Investment in associated companies					368
Unallocated assets					2,440
<b>Total assets</b>					<b>36,054</b>
Liabilities	3,466	5,151	1,470	-	10,087
Unallocated liabilities					1,895
<b>Total liabilities</b>					<b>11,982</b>
<b>OTHER INFORMATION</b>					
Capital expenditure	751	525	162	-	1,438
Depreciation and amortisation	298	249	155	-	702
Other non-cash expenses (income)	140	-	(30)	-	110

<b>30/6/2001</b>	<b>Fish \$'000</b>	<b>Accessories \$'000</b>	<b>Plastic &amp; Others \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
<b>TURNOVER</b>					
External sales	9,344	7,707	2,815	-	19,866
Inter-segment sales	276	1,544	78	(1,898)	-

<b>Total sales</b>	<b>9,620</b>	<b>9,251</b>	<b>2,893</b>	<b>(1,898)</b>	<b>19,866</b>
<b>RESULTS</b>					
Segment results	1,093	1,079	200	(72)	2,300
Unallocated expenses					(311)
					<b>1,989</b>
Financial expenses - net					(37)
Share of profit of associated companies					15
Taxation					(440)
Minority interest					65
<b>Net profit for the period</b>					<b>1,592</b>
<b>ASSETS &amp; LIABILITIES</b>					
Assets	10,691	7,884	5,452	-	24,027
Investment in associated companies					338
Unallocated assets					292
<b>Total assets</b>					<b>24,657</b>
Liabilities	3,102	2,645	1,961	-	7,708
Unallocated liabilities					1,692
<b>Total liabilities</b>					<b>9,400</b>
<b>OTHER INFORMATION</b>					
Capital expenditure	220	93	877	-	1,190
Depreciation and amortisation	238	204	124	-	566
Other non-cash expenses (income)	20	(319)	(49)	-	(348)

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

	<b>Turnover</b>	<b>Turnover</b>	<b>Assets</b>	<b>Assets</b>	<b>Capital expenditure</b>	<b>Capital expenditure</b>
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	30/6/2002 \$'000	30/6/2001 \$'000	30/6/2002 \$'000	30/6/2001 \$'000	30/6/2002 \$'000	30/6/2001 \$'000
Singapore	15,549	11,567	27,352	19,042	737	939
Asia	8,429	6,001	8,702	5,615	701	251
Europe	2,973	1,754	-	-	-	-
Others	866	544	-	-	-	-
<b>Total</b>	<b>27,817</b>	<b>19,866</b>	<b>36,054</b>	<b>24,657</b>	<b>1,438</b>	<b>1,190</b>

## **7.(a) Review of the performance of the company and its principal subsidiaries**

### **Turnover**

2nd Quarter 2002 vs 2nd Quarter 2001	2nd Qtr 2002 \$'000	2nd Qtr 2001 \$'000	Increased \$'000	%
Fish	6,512	4,989	1,523	30.5
Accessories	7,015	4,048	2,967	73.3
Plastic & others	1,762	1,448	314	21.7
	<b>15,289</b>	<b>10,485</b>	<b>4,804</b>	
First half 2002 vs First half 2001	1st Half 2002 \$'000	1st Half 2001 \$'000	Increased \$'000	%
Fish	11,990	9,344	2,646	28.3
Accessories	12,560	7,707	4,853	63.0
Plastic & others	3,267	2,815	452	16.1
	<b>27,817</b>	<b>19,866</b>	<b>7,951</b>	

For the 6 months ended 30 June 2002, our ornamental fish activities and distribution of accessories continued to be our core activities, which together accounted for 88% of our total turnover. Geographically, our Singapore market continued to be our main market accounting for 56% of our total turnover for the 6 months ended 30 June 2002.

Our turnover increased by \$8 million or 40.0% from \$19.8 million for the 6 months ended 30 June 2001 to \$27.8 million for the 6 months ended 30 June 2002. All activities registered growth in turnover. Turnover for ornamental fish, accessories, and plastics and other business increased by \$2.6 million or 28.3%, \$4.9 million or

quarter of FY 2001, turnover for ornamental fish, accessories, and plastics and other business increased by \$1.5 million or 30.5%, \$3.0 million or 73.3% and \$0.3 million or 21.7%, respectively in the 2nd quarter of FY 2002.

The turnover of ornamental fish recorded in the 2nd quarter of FY 2002 was \$6.5 million, which was \$1.0 million or 18.9% higher than the 1st quarter of FY 2002. The increase in the turnover of ornamental fish is mainly due to improved sales from the China market, as well as sales of ornamental fish to the increasing numbers of local fish retail outlets in the first half of FY 2002 and to visitors patronizing our in-house retail outlet. One of our subsidiaries in Thailand and our newly set-up fish division in Malaysia, which commenced their operations in January 2002, have contributed to the turnover ornamental fish in FY 2002.

As announced previously, with effect from FY 2002, the Taiwanese government has allowed the import of licensed Dragon Fish. Since January 2002, we have started export Dragon Fish to Taiwan to take advantage of the change in regulation. The sales of Dragon Fish to Taiwan accounted for approximately 26% of the increase in sales of ornamental fish during the first half of FY 2002.

Following the healthy growth in the 1st quarter of FY 2002, our accessories' turnover in the 2nd quarter of FY 2002 has improved by \$1.5 million or 26.5% over its 1st quarter's performance. Our Malaysia & Thailand subsidiaries' sales, which have surged by 66% as compared to the corresponding period in FY 2001, continued to contribute significantly to the increase in turnover of accessories as a result of market share gained from these countries towards the end of FY 2001.

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 experienced slower growth due to local market competitiveness. We managed to generate higher sales during the period under review by focusing on more high-value items and expanding our distribution channel to outside Singapore.

On a geographical basis, turnover from Singapore grew 34.4% mainly as a result of improved sales to local fish retailers and sales generated from the opening of our in-house retail outlets. Turnover from overseas grew by 47.8% for the first half of FY2002 compared to the corresponding period in FY2001. Our constant effort in expanding into overseas' untapped markets contributed to the increased in overseas turnover.

### **Operating profit before taxation**

2nd Quarter 2002 vs	2nd Qtr	2nd Qtr	Increased	%
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<b>2nd Quarter 2001</b>	<b>2002 \$'000</b>	<b>2001 \$'000</b>	<b>(Decreased) \$'000</b>	
Fish	939	619	320	51.7
Accessories	1,551	722	829	114.8
Plastic & others	102	103	(1)	(1.0)
Unallocated corporate expenses	(335)	(243)	(92)	37.9
	<b>2,257</b>	<b>1,201</b>	<b>1,056</b>	

  

<b>First half 2002 vs First half 2001</b>	<b>1st Half 2002 \$'000</b>	<b>1st Half 2001 \$'000</b>	<b>Increased (Decreased) \$'000</b>	<b>%</b>
Fish	1,638	1,090	548	50.3
Accessories	2,552	1,070	1,482	138.5
Plastic & others	158	212	(54)	(25.5)
Unallocated corporate expenses	(680)	(405)	(275)	67.9
	<b>3,668</b>	<b>1,967</b>	<b>1,701</b>	

Our operating profit increased by \$1.7 million or 86.7% to \$3.6 million for the 6 months ended 30 June 2002 as compared to \$1.9 million for the 6 months ended 30 June 2001. Profit after taxation increased by 83.2% from \$1.6 million for the 6 months ended 30 June 2001 to approximately \$2.9 million for the 6 months ended 30 June 2002.

Although the sales of ornamental fish yielded consistent gross profit margin during the first half of FY 2002 as compared to its corresponding period in FY 2001, our operating profit from ornamental fish registered growth in FY 2002 as a result of the improved sales volume. As our operating expenses remained relatively stable, the increase in sales has resulted in improve in profitability.

During the first half of FY 2001, our accessories activities experienced low profit as a result of high purchase costs and operating losses due mainly to set-up and restructuring costs incurred by our Thailand subsidiary (dealing with accessories) which could only resumed operations in May 2001 due to regulatory compliances.

In the first half of FY 2002, with a higher sales volume and better gross profit margin achieved, we managed to grow our operating profit from the accessories business as compared to the corresponding period in FY 2001. In addition, our Thailand subsidiary has managed to be operationally profitable by the end of FY 2001.

Despite the increase in turnover, our plastics and other business recorded a dip in profitability. This was as a result of higher operating costs experienced following the shift to our new factory location, 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.

**7.(b) Where a forecast, or a prospect statement, has been previously disclosed to shareholders,**

**the issuer must explain any variance between the forecast or prospect statement and the actual results**

Not Applicable

**7.(c) A statement by the Directors of the Company whether any item or event of a material or**

**unusual nature, which would have affected materially the results of operations of the Group and Company, has occurred between the date to which the report refers and the date on which the report is issued. If none, to give a negative statement.**

In the opinion of the Directors, no item, transaction or event of a material or unusual nature has arisen in the interval between the end of the financial period under review to the date of this report which will substantially affect the results of the Group and of the Company for the 6 months ended 30 June 2002.

**8. A commentary at the date of this 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**

While the Group will continue to grow healthily at our home base in Singapore due to the growing domestic market, as well as our increasing export of Dragon Fish to the new Taiwan market, we, however, expect the bulk of our growth to be from our overseas operations such as our newly incorporated entity in Thailand, our new fish division in Malaysia and our growing operations in China.

Our subsidiary in Malaysia, Guan Guan, which managed to increase its turnover and profitability significantly in the first half of FY 2002, is expected to sustain its growth rate into the second half of FY 2002, especially with its increasing market

share and contributions from the newly set up fish division.

One of our subsidiaries in Thailand, Qian Hu Marketing, suffered losses in first half of FY 2001 mainly due to restructuring costs incurred, managed to be operationally profitable at the end of FY 2001. With the newly incorporated Thai Qian Hu, we believe the turnover from our Thailand entities should increase and remain profitable in FY 2002.

We also expect better performance from our China entity, Beijing QianYang, in view of its extensive marketing effort to penetrate the PRC market in FY 2002. Coupled with contributions from our manufacturing base in Guangzhou, Wan Jiang, which we are in the process of raising our stake from 50% to 60%, we will be able to recognize an improved turnover and increase our profit share from these entities.

As announced in April 2002, we have entered into a joint venture agreement to set up a joint venture company in Taiwan, under the name Jin Jien Hsing, dealing with the distribution of pet food and accessories, which we have subscribed to 50% of its registered capital. Through this newly set up entity, our Group is able to directly tap on new markets in Taiwan.

As we do not expect to carry further restructuring and start-up costs of our existing overseas subsidiaries in FY 2002, we expect positive contributions from our Group's overseas operations in Malaysia, Thailand and China. Accordingly, we envisage our Group's turnover and profit will continue to increase in FY 2002.

## **Risk factors**

### **Normal business risk**

Like in all other businesses, setting up new entities suffers losses initially due to depreciation, low turnover, and competition. However, we do not foresee any new business entity being set up in FY 2002 and we are going to concentrate in expanding our overseas market shares and distribution network in our overseas subsidiaries.

Although collectibility and high inventory is part of the normal business risk, our Group's has adopted prudent policies to make 10% general provision for all trade debts overdue for more than 120 days and a full provision for all non-moving stocks for duration of more than 6 months.

### **Suppliers and customers risk**

None of our suppliers or customers contributes more than 5% of our total turnover.

## **Outbreak of diseases and infection**

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fish are vulnerable to different types of diseases. While as 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. With good health management, we have to-date not encountered any outbreak of diseases or infection in our farm.

## **Reliant on Asian market for the sales of Dragon Fish**

The sales for Dragon Fish contributed around 9% and 10% of our total Group's turnover and PBT respectively during the first half of FY 2002. With the import deregulation moves in Taiwan, we now export our Dragon Fish mainly to Japan and Taiwan, as well as distributing them to local retailers. We expect to export more Dragon Fish to China and Thailand in the second half of FY 2002.

Currently, we export over 500 species and varieties of ornamental fish directly to more than 57 countries and different countries require different types and varieties of fish.

## **Fluctuation in foreign exchange currencies against the S\$**

During the first half of FY 2002, approximately 90% of our sales are dominated in S\$. Around 50% of our purchases are dominated in S\$, the rest are in Euro, US\$, and Yen. Although we do not entered into any hedging contracts, we do have an unstructured internal policy to hedge the fluctuation in certain currency when the management deems necessary.

### **9. Dividend**

(a) Any dividend declared for the present financial period? **None**

(b) Any dividend declared for the previous corresponding period? **None**

#### **(c) Total Annual Dividend**

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

(d) Date payable

Not Applicable

(e) Books closure date

Not Applicable

(f) Any other comments relating to Paragraph 9

Not Applicable

**10.(a) Balance sheet**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>30/6/2002</b>	<b>31/3/2002</b>	<b>30/6/2002</b>	<b>31/3/2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Share capital and reserves</b>				
Share capital	10,215,770	9,143,970	10,215,770	9,143,970
Reserves	13,816,774	9,093,387	11,837,037	7,601,657
	<b>24,032,544</b>	<b>18,237,357</b>	<b>22,052,808</b>	<b>16,745,627</b>
Minority interest	39,565	50,027	-	-
	<b>24,072,109</b>	<b>18,287,384</b>	<b>22,052,808</b>	<b>16,745,627</b>
<b>Fixed assets</b>	8,403,073	8,186,261	5,520,519	5,272,951
<b>Subsidiaries</b>	-	-	2,450,844	2,450,844
<b>Associates</b>	367,767	319,542	356,653	327,931
<b>Quoted equity investments, at cost</b>	3,828	3,993	-	-
<b>Trademarks/customer acquisition cost, product listing fees</b>	23,388	57,424	18,568	51,710
<b>Land use rights</b>	214,884	224,619	-	-
<b>Advance for investment</b>	-	28,722	-	28,722
<b>Current assets</b>				
Stocks	7,840,564	6,679,463	4,267,262	3,631,331
Trade debtors	10,464,029	9,258,893	6,902,056	6,734,494
Other debtors, deposits and prepayments	866,848	708,720	408,579	291,706

Due from				
- subsidiaries (trade)	-	-	3,511,245	2,827,405
- subsidiaries (non-trade)	-	-	1,089,353	922,414
- holding company (non-trade)	-	550	-	550
- associates (trade)	915,734	900,725	915,734	900,725
- associates (non-trade)	702,322	712,873	702,322	712,873
Fixed deposits	597,839	97,839	521,393	21,393
Cash and bank balances	5,653,682	1,534,398	4,639,626	781,799
	<b>27,041,018</b>	<b>19,893,461</b>	<b>22,957,570</b>	<b>16,824,690</b>
<b>Current liabilities</b>				
Trade creditors	4,486,480	3,025,321	3,132,835	2,044,981
Bills payable to bank, secured	1,391,452	1,102,864	1,391,452	1,102,864
Other creditors and accruals	2,983,195	2,411,023	2,253,537	1,806,904
Due to				
- subsidiaries (trade)	-	-	77,118	69,259
- directors (non-trade)	1,653	2,309	-	-
Hire purchase creditors, current portion	325,429	246,459	146,559	90,796
Term loan, current portion	200,000	200,000	200,000	200,000
Provision for taxation	1,322,136	1,381,487	973,123	1,042,233
Bank overdrafts, secured	-	938,142	-	938,142
	<b>10,710,345</b>	<b>9,307,605</b>	<b>8,174,624</b>	<b>7,295,179</b>
<b>Net current assets</b>	<b>16,330,673</b>	<b>10,585,856</b>	<b>14,782,946</b>	<b>9,529,511</b>
<b>Non-current liabilities</b>				
Hire purchase creditors, non-current portion	(692,647)	(489,478)	(549,105)	(338,427)
Term loan, non-current portion	(303,617)	(353,615)	(303,617)	(353,615)
Deferred taxation	(275,240)	(275,940)	(224,000)	(224,000)



	24,072,109	18,287,384	22,052,808	16,745,627
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#### 10.(b) Cash flow statement

THE GROUP	1/1/2002 to 30/6/2002 \$	1/1/2001 to 30/6/2001 \$
<b>Cash flows from operating activities</b>		
Profit before taxation and minority interest	3,668,166	1,967,530
Adjustments for:		
Depreciation of fixed assets	614,264	455,984
Profit on disposal of land use rights	-	(48,703)
Profit on disposal of fixed assets	(30,000)	(19,418)
Amortisation of land use rights	4,361	11,156
Amortisation of trademarks/customer acquisition costs, product listing fees	83,623	89,227
Amortisation of pre-operating expenses	-	10,034
Provision for doubtful trade debts	139,589	20,000
Provision for stock obsolescence written back	-	(300,000)
Share of profit of associated companies	(24,096)	(15,338)
Interest expense	55,794	37,089
Interest income	-	(6,121)
Net effect of exchange differences	29,345	42,157
<b>Operating profit before working capital changes</b>	<b>4,541,046</b>	<b>2,243,597</b>
(Increase) decrease in:		
Stocks	(1,195,475)	(683,899)
Trade debtors	(1,798,106)	(1,403,014)
Other debtors, deposits and prepayments	(29,500)	216,320
Due from		
- associates (trade)	(499,815)	-
- associates (non-trade)	(145,185)	(104,992)
Increase (decrease) in:		
Trade creditors	933,931	183,641
Bills payable to bank, secured	238,453	78,831
Other creditors and accruals	491,480	559,079
Due to directors (non-trade)	(656)	(262,413)
<b>Cash generated from operations</b>	<b>2,536,173</b>	<b>827,150</b>
Income tax paid	(442,122)	(502,105)
Interest paid	(55,794)	(37,089)

Interest received	-	6,121
<b>Net cash generated from operating activities</b>	<b>2,038,257</b>	<b>294,077</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(961,872)	(1,045,750)
Proceeds from disposal of fixed assets	30,000	244,991
Advance for investment	-	(28,482)
Payment for land use rights	-	(31,937)
Payment for trademarks/customer acquisition cost, product listing fees	(9,620)	(51,705)
<b>Net cash used in investing activities</b>	<b>(941,492)</b>	<b>(912,883)</b>
<b>Cash flows from financing activities</b>		
Repayment of hire purchase creditors	(160,682)	(119,683)
Repayment of term loan	(99,996)	(94,119)
Payment of dividend	(376,860)	(312,426)
Proceeds from issue of new shares (net)	4,457,168	2,880
<b>Net cash generated from (used in) financing activities</b>	<b>3,819,630</b>	<b>(523,348)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,916,395</b>	<b>(1,142,154)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,335,126</b>	<b>3,230,972</b>
<b>Cash and cash equivalents at end of period</b>	<b>6,251,521</b>	<b>2,088,818</b>
<b>Cash and cash equivalents comprises :</b>		
Fixed deposits	597,839	127,745
Cash and bank balances	5,653,682	1,961,073
<b>Cash and cash equivalents at end of period</b>	<b>6,251,521</b>	<b>2,088,818</b>

**10.(c) Statement of changes in equity**

THE GROUP	Share Capital \$	Share premium \$	Revenue reserve \$	Translation reserve \$	Total \$
<b>Balance 1 Jan 2001</b>	8,275,000	2,081,887	3,361,160	25,546	13,743,593
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 issue	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	-	(302,752)	-	-	(302,752)
<b>Balance at 30 June 2002</b>	<b>10,215,770</b>	<b>4,601,165</b>	<b>9,147,294</b>	<b>68,315</b>	<b>24,032,544</b>

**10.(d) Explanatory notes that are material to an understanding of the information**

provided in

10.(a), (b) and (c) above

## **Accounting policies**

### **Statement of Accounting Standards ("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.

Included in fixed assets of the Group and of the Company as at 30 June 2002 were brooder stocks, which are parent stocks of Dragon Fish, held for the use in the breeding of Dragon Fish, amounting to \$1.38 million. Due to the uniqueness of each Dragon Fish, we believe that its fair value cannot be determined reliably. In compliance with SAS 39, these brooder stocks were carried at cost less accumulated depreciation. 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.

### **11. Details of any changes in the company's issued share capital**

During the 2nd quarter of FY 2002, 718,000 share options were exercised pursuant to the terms of the Qian Hu Pre-IPO Share Option Scheme. There were no share options granted during the period to subscribe for unissued ordinary shares.

As at 30 June 2002, there were 1,429,000 unexercised share options issued

pursuant to the terms of the Qian Hu Pre-IPO Share Option Scheme at the exercise price of \$0.24 per share.

In addition, in May 2002, the Company issued 10,000,000 ordinary shares of \$0.10 each fully paid at \$0.45 per share pursuant to a Private Placement. The new shares rank pari passu in all respects with the existing shares of the Company.

### Use of Placement proceeds

The net proceeds from Private Placement, after deducting expenses, was approximately \$4.2 million. As at 30 June 2002, the amount has been partially deployed by our Group's local and overseas operations as working capital. Details are set out as follows :

	<b>\$'000</b>
Repayment of bank borrowings	1,400
Farm enhancement, including expansion of packing room	110
Singapore plastics operations	180
Thailand accessories operations	25
China fish & accessories operations	145
	<b>1,860</b>

### **12. The group's borrowings and debt securities as at the end of the financial period reported**

#### **on, and comparative figures as at the end of the most recently announced financial statements**

(a) Amount repayable in one year or less, or on demand

As at 30/06/2002		As at 31/03/2002	
Secured	Unsecured	Secured	Unsecured
525,429	Nil	1,384,601	Nil

(b) Amount repayable after one year

As at 30/06/2002		As at 31/03/2002	
Secured	Unsecured	Secured	Unsecured

996,264

Nil

843,093

Nil

(c) Any other comments relating to Paragraph 12

NIL

**13. A statement that the same accounting polices and methods of computation are followed**

**in the financial statements as compared with the most recent audited annual financial statements. Where there have been any changes or departure from the accounting policies and methods of computation, including those required by an accounting standard, this should be disclosed together with the reasons for the change and the effect of the change**

Other than the adoption of new SAS as mentioned in paragraph 10(d) above, 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.

**14. Contingent Liabilities**

As at 30 June 2002, the Group and the Company have no contingent liabilities.

**BY ORDER OF THE BOARD**

Kenny Yap Kim Lee  
Executive Chairman and Managing Director  
24/07/2002