



QIAN HU CORPORATION LIMITED

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

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QIAN HU CORPORATION LIMITED

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) STATEMENT OF PROFIT AND LOSS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	Group			Group		
		3 months ended 31 Dec		Change %	Financial year ended 31 Dec		Change %
		2003 \$'000	2002 \$'000		2003 \$'000	2002 \$'000	
Turnover		16,676	17,412	(4.2)	67,680	62,693	8.0
Cost of sales		(10,077)	(11,562)	(12.8)	(42,312)	(40,515)	4.4
Gross profit		6,599	5,850	12.8	25,368	22,178	14.4
Other operating income		127	26	388.5	202	100	102.0
		6,726	5,876	14.5	25,570	22,278	14.8
Selling & distribution expenses		(564)	(550)	2.5	(1,829)	(1,691)	8.2
General & administration expenses	ii	(3,270)	(2,848)	14.8	(13,973)	(11,965)	16.8
Profit from operations	i	2,892	2,478	16.7	9,768	8,622	13.3
Interest expenses		(38)	(50)	(24.0)	(221)	(180)	22.8
Interest income		5	4	25.0	7	7	-
		2,859	2,432	17.6	9,554	8,449	13.1
Share of associates results		-	49	(100.0)	-	139	(100.0)
Profit before tax		2,859	2,481	15.2	9,554	8,588	11.2
Taxation	iii	(754)	(719)	4.9	(1,784)	(2,053)	(13.1)
		2,105	1,762	19.5	7,770	6,535	18.9
Minority interest		(410)	(18)	NM	(754)	12	NM
Net profit attributable to Members of the Company		1,695	1,744	(2.8)	7,016	6,547	7.2
Gross profit margin		39.6%	33.6%		37.5%	35.4%	
Net profit margin		10.2%	10.0%		10.4%	10.4%	
Return on equity		-	-		19.2%	23.5%	



QIAN HU CORPORATION LIMITED

1(a) STATEMENT OF PROFIT AND LOSS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2003 (cont'd)

Notes to Statement of Profit and Loss

(i) Profit from operations

This is determined after charging (crediting) the following:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 31 Dec</u>		<u>Financial year ended 31 Dec</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	11	21	62	57
- other auditors	1	7	11	11
Non-audit fees				
- auditors of the Company	5	5	17	20
Directors' fees				
- directors of the Company	5	7	30	27
Directors' remuneration				
- directors of the Company	141	205	498	727
- directors of subsidiaries	117	77	385	308
Amortisation of				
- land use rights	-	-	2	4
- trademarks/customer acquisition costs, product listing fees	10	12	42	104
- goodwill on consolidation	41	-	41	-
Bad trade receivables written off	-	30	-	30
Depreciation of				
- property, plant and equipment	385	351	1,563	1,274
- brooder stocks	37	7	91	29
Property, plant and equipment written off	9	-	13	-
(Gain) loss on disposal of				
- property, plant and equipment	(23)	(43)	(35)	(83)
- land use rights	-	-	(9)	-
- an associate	-	9	-	9
Gain on divestment in a subsidiary	-	(10)	-	(10)
Provision for doubtful trade receivables	56	18	286	217
Personnel expenses *	1,992	1,670	7,924	6,885
Exchange (gain) loss, net	(208)	43	(280)	93
Gain arising from changes in fair value less estimate point-of-sale cost attributable to physical changes of breeder stocks	(1,044)	-	(1,494)	-

* Include directors' fees and remuneration.



QIAN HU CORPORATION LIMITED

1(a) STATEMENT OF PROFIT AND LOSS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2003 (cont'd)

(ii) **General & administration expenses**

The increase in general & administration expenses, which consist mainly personnel expenses, is in line with the expansion of the Group's operations.

(iii) **Taxation**

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 31 Dec</u>		<u>Financial year ended 31 Dec</u>	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Current tax				
- current year	138	639	1,168	1,973
- over provision in respect of prior year	-	(1)	-	(1)
Deferred tax				
- current year	616	81	616	81
	<u>754</u>	<u>719</u>	<u>1,784</u>	<u>2,053</u>

In July 2003, the Economic Development Board has granted a Development and Expansion Incentive under the International Headquarters (IHQ) Award to the Company. With the incentive, the Company will enjoy a concessionary tax rate of 10% on its qualifying income for a period of 5 years commencing 1 January 2003.

The tax charge for the current year is lower than the amount obtained by applying the statutory income tax rate on profit before taxation mainly due to:

- (i) qualifying income enjoying concessionary tax rate from the IHQ Award mentioned above;
- (ii) varying statutory tax rates of different countries in which the Group operates; and
- (iii) subsidiaries in the People's Republic of China is not subject to the Enterprise Income Tax for the current year.



QIAN HU CORPORATION LIMITED

1(b) BALANCE SHEETS

	Note	Group		Company	
		31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
		\$	\$	\$	\$
Share capital and reserves					
Share capital	i	10,626,847	10,297,070	10,626,847	10,297,070
Reserves		25,924,237	17,580,344	20,840,909	14,525,186
		36,551,084	27,877,414	31,467,756	24,822,256
Minority interests		4,180,208	348,564	-	-
		40,731,292	28,225,978	31,467,756	24,822,256
Property, plant and equipment					
Brooder stocks	ii	7,337,702	1,371,930	1,342,740	1,371,930
Investments in subsidiaries	iii	-	-	8,975,428	2,679,640
Investments in associates	iv	66,444	-	28,722	28,722
Quoted equity investments, at cost		3,729	3,820	-	-
Intangible assets	v	861,109	87,913	78,695	74,193
Land use rights	vi	89,814	212,653	-	-
Current assets					
Inventories	vii	16,216,143	12,876,214	4,822,226	4,438,586
Trade receivables	viii	13,120,593	12,351,805	6,886,499	7,087,826
Other receivables, deposits and prepayments	ix	1,764,739	786,805	269,312	201,108
Due from					
- subsidiaries (trade)		-	-	9,572,643	7,181,985
- subsidiaries (non-trade)		-	-	1,532,154	1,927,720
- associates (trade)		662,105	406,452	636,625	406,452
Fixed deposits		101,594	101,116	23,046	22,568
Cash and bank balances		4,125,387	7,719,571	2,809,258	6,251,412
		35,990,561	34,241,963	26,551,763	27,517,657
Current liabilities					
Trade payables	x	4,347,183	5,809,629	2,644,882	3,328,248
Bills payable to banks	x	1,950,423	3,204,880	1,950,423	3,204,880
Other payables and accruals	xi	3,179,832	3,218,628	2,118,227	2,435,455
Due to					
- minority shareholders of a subsidiary (non-trade)		2,539,592	-	1,064,079	-
- subsidiaries (trade)		-	-	112,352	84,104
Finance lease obligations	xii	313,327	357,549	161,336	163,635
Bank term loans	xiii	449,404	-	-	-
Provision for taxation		1,077,331	1,854,013	995,480	1,330,990
Bank overdraft (unsecured)		102,613	-	-	-
		13,959,705	14,444,699	9,046,779	10,547,312
Net current assets		22,030,856	19,797,264	17,504,984	16,970,345
Non-current liabilities					
Bank term loans	xiii	932,834	-	-	-
Finance lease obligations	xii	650,803	709,180	378,113	512,980
Deferred taxation		971,800	356,467	258,000	258,000
		40,731,292	28,225,978	31,467,756	24,822,256



QIAN HU CORPORATION LIMITED

1(b) BALANCE SHEETS (cont'd)

	<u>Group</u>		<u>Company</u>	
	<u>31 Dec 2003</u>	<u>31 Dec 2002</u>	<u>31 Dec 2003</u>	<u>31 Dec 2002</u>
Inventory turnover (days)	125	88	53	42
Trade receivables turnover (days)	69	62	54	46
Debt equity ratio	0.45	0.56	0.31	0.46

Notes to Balance Sheets

Following the completion of acquisition of Kim Kang Aquaculture Sdn Bhd completed in July 2003, the following assets and liabilities as at 31 December 2003 were included in the balance sheet which contributed to the increase in: -

	\$'000
Property, plant and equipment	5,663
Brooder stocks	5,995
Inventories	
- breeder stocks	1,306
- others	1,149
Trade receivables	488
Trade payables	120
Due to minority shareholders of a subsidiary	1,476
Bank term loans	1,141
Bank overdraft	103

(i) **Share capital**

	Number of shares	\$
Share capital		
- ordinary shares of \$0.10 each		
Issued and fully paid		
Balance as at 1 Jan 2003	102,970,700	10,297,070
Issue of new shares		
- Exercise of employees' share options	374,000	37,400
- Consideration for acquisition of subsidiary	2,923,769	292,377
Balance as at 31 Dec 2003	<u>106,268,469</u>	<u>10,626,847</u>

During the financial year ended 31 December 2003, 374,000 (including 213,000 in the 4th quarter of 2003) 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 2003, there were 228,000 (31/12/2002 : 602,000) unexercised share options issued pursuant to the terms of the Pre-IPO Scheme.

In addition, there were options granted to subscribe for 1,472,000 (31/12/2002 : 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 2003, none of these share options were exercised pursuant to the terms of the Post-IPO Scheme.



QIAN HU CORPORATION LIMITED

1(b) **BALANCE SHEETS (cont'd)**

(i) **Share capital (cont'd)**

With the completion of the acquisition of Kim Kang Aquaculture Sdn Bhd in July 2003, the Company issued 2,923,769 new ordinary shares to the vendors as partial consideration for a 65% equity stake in that company. The new shares rank pari passu in all respect with the existing shares of the Company.

(ii) **Brooder stocks**

	Group		Company	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
	\$	\$	\$	\$
Cost				
Balance at 1 Jan	1,459,500	1,459,500	1,459,500	1,459,500
Beginning balance attributable to a subsidiary acquired during the year	6,276,839	-	-	-
Translation difference	(149,126)	-	-	-
Balance at 31 Dec	<u>7,587,213</u>	<u>1,459,500</u>	<u>1,459,500</u>	<u>1,459,500</u>
Accumulated depreciation				
Balance at 1 Jan	87,570	58,380	87,570	58,380
Beginning balance attributable to a subsidiary acquired during the year	73,190	-	-	-
Depreciation charge for the year	90,490	29,190	29,190	29,190
Translation difference	(1,739)	-	-	-
Balance at 31 Dec	<u>249,511</u>	<u>87,570</u>	<u>116,760</u>	<u>87,570</u>
Net book value				
As at 31 Dec	<u>7,337,702</u>	<u>1,371,930</u>	<u>1,342,740</u>	<u>1,371,930</u>

Brooder stocks are parent stocks of Dragon Fish, held by the Group and the Company for the 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 have been stated at cost less accumulated depreciation and any impairment loss.



QIAN HU CORPORATION LIMITED

1(b) BALANCE SHEETS (cont'd)

(iii) **Investments in subsidiaries**

Name	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
	%	%	\$	\$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Jiang Nan Holdings Pte. Ltd. (Singapore)	100	100	2	2
Qian Hu Aquarium and Pets (M) Sdn Bhd (Malaysia)	100	100	150,451	150,451
Kim Kang Aquaculture Sdn Bhd (Malaysia)	65	-	6,695,788	-
Fujian Anxi Qianlong Plastics Private Co., Ltd # (People's Republic of China)	100	100	1,350,444	1,750,444
Beijing Qianyang Aquarium Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Wan Jiang Technology Co., Ltd (People's Republic of China)	60	60	249,054	249,054
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited (Thailand)	60	60	121,554	121,554
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
			<u>8,975,428</u>	<u>2,679,640</u>

* The Company has voting control at general meetings & Board meetings of NNTL (Thailand) Limited.

Cost of investment as at 31 December 2003 is net of provision for impairment of \$400,000.

(iv) **Investments in associates**

Name	Effective equity interest held by the Group		Cost of investment by the Group	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
	%	%	\$	\$
Jin Jien Hsing Enterprise Co. (Republic of China)	50	50	28,722	28,722
PLC Pet Safari (Kuala Lumpur) Sdn Bhd (Malaysia)	49	-	66,444	-
			<u>95,166</u>	<u>28,722</u>
Share of post-acquisition loss			<u>(28,722)</u>	<u>(28,722)</u>
			<u>66,444</u>	<u>-</u>



QIAN HU CORPORATION LIMITED

1(b) **BALANCE SHEETS (cont'd)**

(v) **Intangible assets**

	Group		Company	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
	\$	\$	\$	\$
At cost				
- trademarks/customer acquisition costs	612,031	592,620	612,031	573,926
- product listing fees	58,690	37,710	40,440	37,710
- goodwill on consolidation	815,898	-	-	-
	<u>1,486,619</u>	<u>630,330</u>	<u>652,471</u>	<u>611,636</u>
Less accumulated amortisation	(625,510)	(542,417)	(573,776)	(537,443)
	<u>861,109</u>	<u>87,913</u>	<u>78,695</u>	<u>74,193</u>

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the acquisition of trademarks rights and existing customer base of two brands of pet food, namely "ARISTO-CATS YI HU" and "Nature's Gift".

Product listing fees relate to cost paid to third parties in relation to the entitlements to list and sell the Company's products in certain supermarkets.

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

(vi) **Land use rights**

This relates to land use rights acquired by one of the subsidiaries, Fujian Anxi Qianlong Plastics Private Co., Ltd, in the People's Republic of China.

	Group	
	31 Dec 2003	31 Dec 2002
	\$	\$
At cost		
Balance at 1 Jan	230,369	241,186
Disposal during the year	(133,780)	-
Translation differences	(2,884)	(10,817)
	<u>93,705</u>	<u>230,369</u>
Less accumulated amortisation	(3,891)	(17,716)
Balance at 31 Dec	<u>89,814</u>	<u>212,653</u>



QIAN HU CORPORATION LIMITED

1(b) **BALANCE SHEETS (cont'd)**

(vii) **Inventories**

	Group		Company	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
	\$	\$	\$	\$
Fish	1,772,998	834,859	963,551	724,291
Breeder stocks *	1,493,690	-	188,000	-
Accessories and gift items	12,268,565	11,098,136	3,670,675	3,714,295
Finished goods - plastic products	488,645	660,408	-	-
Raw materials - plastic products	192,245	282,811	-	-
Total inventories at lower of cost and NRV	16,216,143	12,876,214	4,822,226	4,438,586
Inventories are stated after deducting for provision for obsolete inventory	450,577	450,577	356,787	356,787

* Off-springs of existing brooder stocks.

(viii) **Trade receivables**

	Group		Company	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
	\$	\$	\$	\$
Trade receivables	13,762,756	13,166,441	7,397,559	7,770,567
Less provision for doubtful trade receivables	(642,163)	(814,636)	(511,060)	(682,741)
	13,120,593	12,351,805	6,886,499	7,087,826

(ix) **Other receivables, deposits and prepayments**

	Group		Company	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
	\$	\$	\$	\$
Deposits	82,527	170,375	41,109	13,954
Prepayments	119,144	103,045	34,250	67,789
Advances to employees	1,766	2,152	-	-
Advances to suppliers	705,534	274,109	-	-
Purchase of property, plant and equipment	419,497	-	-	-
	1,328,468	549,681	75,359	81,743
Other receivables	442,450	243,303	200,132	125,544
Less provision for doubtful non-trade receivables	(6,179)	(6,179)	(6,179)	(6,179)
	436,271	237,124	193,953	119,365
Total	1,764,739	786,805	269,312	201,108



QIAN HU CORPORATION LIMITED

1(b) BALANCE SHEETS (cont'd)

(x) **Trade and bills payable**

The decrease in trade and bills payable was due to the Group's deliberate effort to settle outstanding debts and retire bills payable to bank earlier than its tenure as and when surplus funds are available in order to secure better purchasing terms and reduce financing costs.

(xi) **Other payables and accruals**

	Group		Company	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
	\$	\$	\$	\$
Accrued operating expenses	1,012,816	1,762,792	661,110	1,364,322
Other payables	2,113,758	1,455,836	1,457,117	1,071,133
Advance received	53,258	-	-	-
	<u>3,179,832</u>	<u>3,218,628</u>	<u>2,118,227</u>	<u>2,435,455</u>

(xii) **Finance lease obligations**

Group	Payments	Interest	Principal
31 Dec 2003	\$	\$	\$
Payable:			
After 1 year but within 5 years	783,871	133,068	650,803
Within 1 year	372,773	59,446	313,327
	<u>1,156,644</u>	<u>192,514</u>	<u>964,130</u>
31 Dec 2002			
Payable:			
After 1 year but within 5 years	808,506	112,119	696,387
After 5 years	16,534	3,741	12,793
	<u>825,040</u>	<u>115,860</u>	<u>709,180</u>
Within 1 year	414,369	56,820	357,549
	<u>1,239,409</u>	<u>172,680</u>	<u>1,066,729</u>



QIAN HU CORPORATION LIMITED

1(b) **BALANCE SHEETS (cont'd)**

(xii) **Finance lease obligations (cont'd)**

Company			
31 Dec 2003	Payments	Interest	Principal
	\$	\$	\$
Payable:			
After 1 year but within 5 years	460,018	81,905	378,113
Within 1 year	194,972	33,636	161,336
	<u>654,990</u>	<u>115,541</u>	<u>539,449</u>
31 Dec 2002			
Payable:			
After 1 year but within 5 years	606,918	106,731	500,187
After 5 years	16,534	3,741	12,793
	<u>623,452</u>	<u>110,472</u>	<u>512,980</u>
Within 1 year	197,602	33,967	163,635
	<u>821,054</u>	<u>144,439</u>	<u>676,615</u>

(xiii) **Bank term loans (unsecured)**

	As at	As at
	31 Dec 2003	31 Dec 2002
	\$	\$
Loans repayable:		
Due within 12 months	449,404	-
Due after 12 months	932,834	-
	<u>1,382,238</u>	<u>-</u>

Included in unsecured bank term loans are:

- A short term bank loan of \$245,000, bears interest at 5.3% per annum and is repayable on 15 June 2004
- An 8-year term loan of \$1.2 million, bears interest at 7.9% per annum and is repayable in 96 monthly instalments commencing July 2003

(xiv) **Contingent liabilities**

As at 31 December 2003, there were corporate guarantees given by the Company amounting to \$2.1 million (31/12/2002: Nil) to banks for banking facilities extended to 2 subsidiaries.



QIAN HU CORPORATION LIMITED

1(c) STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Group		Group	
	3 months ended 31 Dec	2002	Financial year ended 31 Dec	2002
	2003	2002	2003	2002
	\$	\$	\$	\$
Cash flows from operating activities				
Profit before taxation and minority interest	2,859,125	2,481,010	9,553,651	8,588,144
Adjustments for:				
Bad trade receivables written off	-	29,589	-	29,589
Depreciation of				
- property, plant and equipment	384,763	351,065	1,563,432	1,273,927
- brooder stocks	37,394	7,298	90,467	29,190
Property, plant and equipment written off	8,732	-	13,113	-
(Gain) loss on disposal of				
- property, plant and equipment	(23,081)	(43,083)	(34,963)	(83,416)
- land use rights	-	-	(9,090)	-
- an associate	-	8,813	-	8,813
Gain on divestment in a subsidiary	-	(9,725)	-	(9,725)
Gain arising from changes in fair value less estimate point-of-sale cost attributable to physical changes of breeder stocks	(1,043,690)	-	(1,493,690)	-
Amortisation of				
- goodwill on consolidation	40,795	-	40,795	-
- land use rights	478	39	1,966	4,461
- trademarks/customer acquisition costs, product listing fees	10,442	11,509	42,415	103,811
Provision for doubtful trade receivables	56,209	17,607	285,759	217,196
Share of profit of associates	-	(48,996)	-	(138,620)
Interest expense	38,661	49,680	221,467	180,088
Interest income	(5,672)	(3,537)	(7,396)	(6,549)
Negative goodwill on consolidation	-	(29,453)	-	(29,453)
Net effect of exchange differences	(98,431)	(4,311)	(50,306)	(42,493)
Operating profit before working capital changes	2,265,725	2,817,505	10,217,620	10,124,963
(Increase) decrease in:				
Inventories	(393,507)	(1,875,556)	(1,383,128)	(4,103,645)
Trade receivables	558,398	(1,139,015)	(742,624)	(3,561,435)
Other receivables, deposits and prepayments	(723,953)	596,775	(963,952)	735,362
Due from				
- associates (trade)	(101,923)	1,048,959	(255,653)	9,467
- associates (non-trade)	-	709,282	-	557,137
Increase (decrease) in:				
Trade payables	(1,425,605)	(1,727,141)	(2,298,354)	(334,628)
Bills payable to banks	276,188	1,659,786	(1,254,457)	2,051,881
Other payables and accruals	620,502	(240,453)	(164,852)	489,769
Due to directors (non-trade)	-	-	-	(2,309)
Cash generated from operations	1,075,825	1,850,142	3,154,600	5,966,562
Payment of income tax	(244,115)	(278,433)	(1,945,697)	(1,108,089)
Interest paid	(38,661)	(49,680)	(221,467)	(180,088)
Net cash generated from operating activities	793,049	1,522,029	987,436	4,678,385



QIAN HU CORPORATION LIMITED

1(c) STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2003 (cont'd)

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 31 Dec</u>	<u>3 months ended 31 Dec</u>	<u>Financial year ended 31 Dec</u>	<u>Financial year ended 31 Dec</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	\$	\$	\$	\$
Cash flows from investing activities				
Purchase of property, plant and equipment	(474,750)	(782,091)	(1,477,005)	(1,933,353)
Proceeds from disposal of				
- property, plant and equipment	182,926	90,680	496,479	131,680
- land use rights	-	-	127,200	-
- an associate	-	121,771	-	121,771
Proceeds from divestment in a subsidiary	-	20,260	-	20,260
Investment in associate	(21,824)	-	(66,444)	-
Payment for trademarks/customer acquisition costs, product listing fees	(27,422)	(15,742)	(38,105)	(93,761)
Acquisition of subsidiary (Note i)	-	85,309	(2,711,138)	85,309
Net cash used in investing activities	(341,070)	(479,813)	(3,669,013)	(1,668,094)
Cash flows from financing activities				
Proceeds from issuance of new shares (net)	51,120	188,399	89,760	4,652,287
Drawdown of				
- bank term loans	-	-	1,430,088	-
- loan from minority shareholders of a subsidiary	29,672	-	29,672	-
Repayment of				
- finance lease obligations	(137,036)	(21,206)	(496,260)	(203,093)
- bank term loan	(52,909)	(453,082)	(47,850)	(603,613)
- loan from minority shareholders of a subsidiary	-	-	(1,062,928)	-
Payment of dividend	-	-	(964,620)	(376,860)
Interest received	5,672	3,537	7,396	6,549
Net cash (used in) generated from financing activities	(103,481)	(282,352)	(1,014,742)	3,475,270
Net increase (decrease) in cash and cash equivalents	348,498	759,864	(3,696,319)	6,485,561
Cash and cash equivalents at beginning of period/year	3,775,870	7,060,823	7,820,687	1,335,126
Cash and cash equivalents at end of period/year	4,124,368	7,820,687	4,124,368	7,820,687
Cash and cash equivalents comprise:				
Fixed deposits	101,594	101,116	101,594	101,116
Cash and bank balances	4,125,387	7,719,571	4,125,387	7,719,571
Bank overdrafts	(102,613)	-	(102,613)	-
Cash and cash equivalents at end of period/year	4,124,368	7,820,687	4,124,368	7,820,687



QIAN HU CORPORATION LIMITED

1(c) STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2003 (cont'd)

(i) Acquisition of subsidiary

The attributable assets and liabilities of subsidiaries acquired and the cash flow effect of the acquisition are set out as follows:-

	Group	
	Financial year ended 31 Dec	
	2003	2002
	\$	\$
Property, plant and equipment	5,454,845	380,178
Brooder stocks	6,203,649	-
Inventories	463,111	2,127,480
Trade receivables	311,923	231,643
Other receivables, deposits and prepayments	13,982	684,819
Cash and bank balances	113,753	128,203
Trade payables	(835,908)	(2,591,708)
Other payables and accruals	(126,055)	(237,144)
Finance lease obligations	(44,547)	-
Due to minority shareholders of a subsidiary	(2,508,769)	-
Net assets acquired	<u>9,045,984</u>	<u>723,471</u>
Less:		
Minority interests	(3,166,094)	(283,256)
Equity-accounted cost of investment before acquisition of the additional equity interest	-	(184,365)
Share of profit of associates	-	(167,342)
Goodwill (Negative goodwill) on consolidation	815,898	(29,453)
Translation differences	-	(16,161)
Total purchase consideration	<u>6,695,788</u>	<u>42,894</u>
Less:		
Cash and bank balances	(113,753)	(128,203)
Consideration paid by issuance of new shares (2,923,769 ordinary shares @ \$0.96 each)	(2,806,818)	-
Due to minority shareholders of a subsidiary	(1,064,079)	-
Net cash flow from acquisition of subsidiary	<u>2,711,138</u>	<u>(85,309)</u>

(ii) Explanatory notes:

The Group's **net cash generated from operating activities** deteriorated for the year ended 31 December 2003 as well as on a quarter-to-quarter basis mainly due to:

- re-investment of funds into inventories and trade receivables balances for our overseas operations expansion.
- our deliberate effort to settle outstanding debts and retire bills payable to bank earlier than its tenure as and when surplus funds are available in order to secure better purchasing terms and reduce financing costs.
- higher amount of income tax paid in 2003 due to higher profit recorded for the financial year ended 31 December 2002



QIAN HU CORPORATION LIMITED

1(c) STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2003 (cont'd)

(ii) Explanatory notes (cont'd):

The **net cash used in investing activities** relate to cash payment made for the acquisition of Kim Kang Aquaculture Sdn Bhd of approximately \$2.7 million in July 2003 as well as capital expenditure incurred for infrastructure and farm facilities in both the Singapore and overseas entities.

Following the acquisition of Kim Kang Aquaculture Sdn Bhd, an 8-year term loan was taken up to repay loans due to its minority shareholders. In addition, the payment of final dividend of approximately \$1 million in April 2003 has resulted in **net cash used in financing activities**.

1(d) STATEMENT OF CHANGES IN EQUITY

Group	Share capital \$	Share premium \$	Revenue reserve \$	Translation reserve \$	Total \$
Balance at 1 Jan 2002	8,276,200	2,083,567	6,607,103	205,170	17,172,040
Currency translation differences	-	-	-	(117,412)	(117,412)
Net profit for the year	-	-	6,547,359	-	6,547,359
Payment of final dividend	-	-	(376,860)	-	(376,860)
Capitalisation of share premium for bonus shares	831,270	(831,270)	-	-	-
Issue of new shares	1,189,600	3,765,440	-	-	4,955,040
Share issue expenses	-	(302,753)	-	-	(302,753)
Balance at 31 Dec 2002	10,297,070	4,714,984	12,777,602	87,758	27,877,414
Currency translation differences	-	-	-	(9,183)	(9,183)
Net profit for the period	-	-	1,308,516	-	1,308,516
Issue of new shares	8,700	12,180	-	-	20,880
Balance at 31 Mar 2003	10,305,770	4,727,164	14,086,118	78,575	29,197,627
Currency translation differences	-	-	-	(12,942)	(12,942)
Net profit for the period	-	-	1,941,893	-	1,941,893
Payment of final dividend	-	-	(964,620)	-	(964,620)
Issue of new shares	3,200	4,480	-	-	7,680
Balance at 30 Jun 2003	10,308,970	4,731,644	15,063,391	65,633	30,169,638
Currency translation differences	-	-	-	(76,140)	(76,140)
Net profit for the period	-	-	2,070,433	-	2,070,433
Issue of new shares	296,577	2,520,321	-	-	2,816,898
Balance at 30 Sep 2003	10,605,547	7,251,965	17,133,824	(10,507)	34,980,829
Currency translation differences	-	-	-	(175,796)	(175,796)
Net profit for the period	-	-	1,694,931	-	1,694,931
Issue of new shares	21,300	29,820	-	-	51,120
Balance at 31 Dec 2003	10,626,847	7,281,785	18,828,755	(186,303)	36,551,084



QIAN HU CORPORATION LIMITED

1(d) STATEMENT OF CHANGES IN EQUITY (cont'd)

Company	Share capital \$	Share premium \$	Revenue reserve \$	Total \$
Balance at 1 Jan 2002	8,276,200	2,083,567	5,381,485	15,741,252
Net profit for the year	-	-	4,805,577	4,805,577
Payment of final dividend	-	-	(376,860)	(376,860)
Capitalisation of share premium for bonus shares	831,270	(831,270)	-	-
Issue of new shares	1,189,600	3,765,440	-	4,955,040
Share issue expenses	-	(302,753)	-	(302,753)
Balance at 31 Dec 2002	<u>10,297,070</u>	<u>4,714,984</u>	<u>9,810,202</u>	<u>24,822,256</u>
Net profit for the period	-	-	848,909	848,909
Issue of new shares	8,700	12,180	-	20,880
Balance at 31 Mar 2003	<u>10,305,770</u>	<u>4,727,164</u>	<u>10,659,111</u>	<u>25,692,045</u>
Net profit for the period	-	-	1,378,397	1,378,397
Payment of final dividend	-	-	(964,620)	(964,620)
Issue of new shares	3,200	4,480	-	7,680
Balance at 30 Jun 2003	<u>10,308,970</u>	<u>4,731,644</u>	<u>11,072,888</u>	<u>26,113,502</u>
Net profit for the period	-	-	1,449,753	1,449,753
Issue of new shares	296,577	2,520,321	-	2,816,898
Balance at 30 Sep 2003	<u>10,605,547</u>	<u>7,251,965</u>	<u>12,522,641</u>	<u>30,380,153</u>
Net profit for the period	-	-	1,036,483	1,036,483
Issue of new shares	21,300	29,820	-	51,120
Balance at 31 Dec 2003	<u>10,626,847</u>	<u>7,281,785</u>	<u>13,559,124</u>	<u>31,467,756</u>

2 AUDIT

The financial statements have been audited by the Company's auditors.

3 AUDITORS' REPORT

See attached auditors' report.

4 ACCOUNTING POLICIES

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 2002.

5 CHANGES IN ACCOUNTING POLICIES

Not applicable



QIAN HU CORPORATION LIMITED

6 EARNINGS PER SHARE (EPS)

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 31 Dec</u>	<u>3 months ended 31 Dec</u>	<u>Financial year ended 31 Dec</u>	<u>Financial year ended 31 Dec</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
EPS (based on consolidated net profit attributable to shareholders)				
- on weighted average number of ordinary shares				
on issue	1.62 cents	1.77 cents	6.72 cents	6.64 cents
- on a fully diluted basis	1.61 cents	1.75 cents	6.68 cents	6.58 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 104,449,308 (31/12/2002 : 98,548,648).

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 105,072,705 (31/12/2002 : 99,476,068).

7 NET ASSET VALUE PER SHARE

	<u>Group</u>		<u>Company</u>	
	<u>31 Dec 2003</u>	<u>31 Dec 2002</u>	<u>31 Dec 2003</u>	<u>31 Dec 2002</u>
Net asset value per share based on existing issued share capital as at the respective period	38.33 cents	27.41 cents	29.61 cents	24.11 cents

8 REVIEW OF GROUP PERFORMANCE

(a) **Turnover**

Financial year 2003 vs financial year 2002

	<u>Group</u>		<u>Increase</u>	
	<u>Financial year ended 31 Dec</u>	<u>Financial year ended 31 Dec</u>	<u>(Decrease)</u>	
	<u>2003</u>	<u>2002</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	
Fish	27,466	24,023	3,443	14.3
Accessories	33,646	31,935	1,711	5.4
Plastics	6,568	6,735	(167)	(2.5)
	<u>67,680</u>	<u>62,693</u>	<u>4,987</u>	

For the year ended 31 December 2003, our ornamental fish and accessories activities continued to be our core activities, which together accounted for 90% of our total turnover. Our turnover increased by \$5.0 million or 8% from \$62.7 million for the year ended 31 December 2002 to \$67.7 million for the year ended 31 December 2003.

On a geographical basis, turnover from Singapore dipped by 11.7% mainly as a result of decrease in sales of aquarium accessories to local retailers due to lower demand during the SARS period coupled with keen competition. Turnover from overseas grew by 33.6% in FY 2003 as compared to FY 2002. Both the Singapore and overseas operations' constant effort in expanding our distribution network into overseas untapped markets contributed to the increase in overseas turnover.



QIAN HU CORPORATION LIMITED

8 REVIEW OF GROUP PERFORMANCE (cont'd)

(a) Turnover (cont'd)

4Q 2003 vs 4Q 2002

	<u>Group</u>		<u>Increase</u>	
	<u>4Q</u>	<u>4Q</u>	<u>(Decrease)</u>	
	<u>2003</u>	<u>2002</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	6,790	5,694	1,096	19.2
Accessories	8,230	9,951	(1,721)	(17.3)
Plastics	1,656	1,767	(111)	(6.3)
	<u>16,676</u>	<u>17,412</u>	<u>(736)</u>	

Although the turnover for ornamental fish increased by \$1.1 million or 19.2% in the 4th quarter of 2003, the reduction of \$1.7 million or 17.3% and \$0.1 million or 6.3% registered by the accessories and plastics activities have led to the decrease in total turnover in the current as compared to its corresponding period in 2002.

Our overseas subsidiaries in Malaysia and Thailand (dealing with fish), including the newly acquired subsidiary, Kim Kang Aquaculture Sdn Bhd (a Dragon Fish farm in Malaysia), managed to expand its customers base and distribution network to achieve higher turnover both during the current quarter and throughout the year. We are also exporting to more countries around the world from Singapore.

In FY 2003 (including the 4th quarter of 2003), we continued to make conscientious effort to increase our accessories export from Singapore to more countries, which has accounted for the increase in sales of accessories as compared to FY 2002. In addition, the sales recorded by our Guangzhou manufacturing base are increasing steadily on a quarter to quarter basis, which has constituted to the increase in accessories turnover. However, the above-mentioned increase was offset by lower turnover from the domestic market due to a drop in local demand for accessories products, resulted in a reduction in accessories turnover in the 4th quarter of 2003 as compared to its corresponding period and only a marginal increase in overall accessories sales in FY 2003.

Operating conditions for the plastics activities remained competitive in FY 2003. While we continue to focus on generating sales through selling more high-yielded items, we are also looking at other new channels to expand our current market share domestically and overseas.



QIAN HU CORPORATION LIMITED

8 REVIEW OF GROUP PERFORMANCE

(a) **Turnover (cont'd)**

4Q 2003 vs 3Q 2003

	<u>Group</u>		Increase (Decrease)	
	4Q 2003	3Q 2003		
	\$'000	\$'000	\$'000	%
Fish	6,790	7,602	(812)	(10.7)
Accessories	8,230	8,541	(311)	(3.6)
Plastics	1,656	1,656	-	-
	<u>16,676</u>	<u>17,799</u>	<u>(1,123)</u>	

Our turnover for the 4th quarter of 2003 was \$1.1 million or 6.3% lower than the 3rd quarter of 2003 due mainly to the dipped in both ornamental fish and accessories activities.

Ornamental fish turnover was \$0.8 million or 10.7% lower in the 4th quarter of 2003 as compared to the 3rd quarter of 2003 largely due to lower turnover contributions from the sales of Dragon fish as a result of the shortage in its supply during the early quarter. In addition, our export sales has reduced due to the week-long festive holidays in December

Notwithstanding the increase in sales contributions from the market share gained in our China and Thailand accessories operations, the reduction in accessories turnover by \$0.3 million or 3.6% in the 4th quarter of 2003 as compared to 3rd quarter of 2003 was mainly due to lower demand for accessories products in the local market during this quarter.

Our plastics turnover recorded in the current quarter was comparable to that of the previous quarter.

(b) **Profitability**

Financial year 2003 vs financial year 2002

	<u>Group</u>		Increase (Decrease)	
	Financial year ended 31 Dec			
	2003	2002	\$'000	%
	\$'000	\$'000		
Fish	5,333	2,450	2,883	117.7
Accessories	5,241	7,136	(1,895)	(26.6)
Plastics	256	265	(9)	(3.4)
Unallocated corporate expenses	(1,276)	(1,263)	(13)	(1.0)
	<u>9,554</u>	<u>8,588</u>	<u>966</u>	

Our operating profit increased by \$1 million or 11.2% to \$9.6 million in FY 2003 as compared to FY 2002. Profit after taxation increased by 7.2% from \$6.5 million for the year ended 31 December 2002 to approximately \$7.0 million for the year ended 31 December 2003.

In FY 2003, the better performance from the ornamental fish activities was partially offset by the reduction in profitability in both the accessories and plastics activities. The higher sales and profit margins yielded from our own-bred Dragon fish have contributed significantly to the increase in the profitability of the ornamental fish business. While the reduction in domestic sales of accessories products led to lower profit contribution from the accessories activities.



QIAN HU CORPORATION LIMITED

8 REVIEW OF GROUP PERFORMANCE (cont'd)

(b) Profitability (cont'd)

4Q 2003 vs 4Q 2002

	<u>Group</u>		<u>Increase</u>	
	<u>4Q</u>	<u>4Q</u>	<u>(Decrease)</u>	
	<u>2003</u>	<u>2002</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	1,905	432	1,473	341.0
Accessories	1,218	2,269	(1,051)	(46.3)
Plastics	31	80	(49)	(61.3)
Unallocated corporate expenses	(295)	(300)	5	1.7
	<u>2,859</u>	<u>2,481</u>	<u>378</u>	

Our operating profit from the ornamental fish activities surged from \$0.4 million to \$1.9 million during the 4th quarter of 2003 mainly due to a valuation placed on our breeder stock (off-springs of existing brooder stocks) of approximately \$1 million. The increase in operating profit in this quarter is in line with the higher sales and the difference in sales mix registered by the overseas entities which yielded a higher gross profit margin as compared its corresponding period in 2002.

However, our operating profit from the accessories business dipped in the 4th quarter of 2003 by \$1.1 million or 46.3% as a result of lower turnover recorded coupled with a slight reduction in gross profit margin yielded on a quarter-to-quarter basis from both our local and overseas operations due to keen competition.

Despite registering relatively consistent turnover, our operating profit from the plastics business was lower in the 4th quarter of 2003 as compared to the corresponding period in 2002, mainly due to increase in raw material prices in the current quarter and stiff market conditions which eroded its profit margins.

The amount of unallocated corporate expenses, which relate to staff costs and administrative expenses incurred in relation to the overseeing of the Group's operations both locally and overseas, remained relatively stable for both periods.



QIAN HU CORPORATION LIMITED

8 REVIEW OF GROUP PERFORMANCE (cont'd)

(b) Profitability (cont'd)

4Q 2003 vs 3Q 2003

	<u>Group</u>		<u>Increase</u>	
	<u>4Q</u>	<u>3Q</u>	<u>(Decrease)</u>	
	<u>2003</u>	<u>2003</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	1,905	1,472	433	29.4
Accessories	1,218	1,278	(60)	(4.7)
Plastics	31	33	(2)	(6.1)
Unallocated corporate expenses	(295)	(277)	(18)	(6.5)
	<u>2,859</u>	<u>2,506</u>	<u>353</u>	

The valuation placed on our breeder stock (off-springs of existing brooder stocks) was \$1 million in the 4th quarter of 2003 as compared to \$0.5 million in the 3rd quarter of 2003. The additional profit was partially offset by the lower profit recorded for our export business due to lower sales during the week-long festive seasons in December.

The reduction in profitability from our accessories business is in accordance with its lower turnover recorded during the current quarter.

The operating profit from our plastic activities and the amount of unallocated corporate expenses remained relatively stable for both periods.

9 VARIANCE FROM PROSPECT STATEMENT

Not applicable



QIAN HU CORPORATION LIMITED

10 PROSPECTS

Our Group's future growth depends on our ability to extract maximum potential from our overseas network and see them move from gestation to maturity both in the ornamental fish and accessories segments.

Fish

Our network in Singapore, Malaysia, Thailand and China along with the newly-established hubs, such as Jakarta, makes us the only ornamental fish company in the world which is able to supply ornamental fish from 5 countries. We will continue to export more fish to increasing numbers of countries in the world and eventually securing 60% to 70% of the world's ornamental fish supply, hence, adding a positive contribution to our fish turnover.

In addition, we envisage an increasing demand for Dragon Fish in our regional markets, particularly in Taiwan and China, in the coming years. With the acquisition of Kim Kang Aquaculture Sdn Bhd in July 2003, our Group is able to strengthen our position as an integrated fish service provider by further backward integrating our fish operations and optimising our sales and profit margins of ornamental fish. Our recent collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of the Dragon Fish will also enable us to increase the production of Dragon Fish in our farms. This will definitely 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.

Accessories

Our overseas entities dealing with accessories are expected to maintain their growth this year with the continuous expansion in our market share.

The production capacity of our accessories manufacturing plant in Guangzhou, has more than doubled following its recent move to a bigger factory premise in December 2003. With the expanded capacity, we expect to increase the turnover and profit contributions from our Guangzhou factory and that it will emerge one of the top 3 manufacturers in China for aquarium accessories by 2008. We are also in the process of increasing our equity interest in this subsidiary from 60% to 80%. Upon completion, our Group will be able to consolidate a higher share of profit from the Guangzhou operations in the current year.

Qian Hu – The Pet Family

Since the 3rd quarter of 2003, our Group started executing a marketing plan to further penetrate the Malaysia, Thailand and China market by setting up showrooms and retail outlets in Kuala Lumpur, Bangkok and Shanghai, which has expanded our domestic distribution network and enable us to actively promote sales in those cities.

With the retail experience gained, we will pursue an aggressive expansion of our chain store concept, “**Qian Hu - The Pet Family**”, in Jakarta, Bangkok, Shanghai, Tianjin, Beijing, Penang and Johor Bahru this year, with plans to expand to more than 100 stores within the next 5 years. All the chain stores will sell both ornamental fish and related aquarium & pet accessories with some stores also conduct pet grooming activities. We believe that the new chain store concept will enhance our growth and profitability in both our fish and accessories business in these countries for the current year.

In view of our expansion plans, particularly the launch of “Qian Hu - The Pet Family” throughout Asia, we expect to incur pre-operational expenditure which would cause fluctuations in our operating profit from quarter to quarter. However, we expect our Group's overall turnover and profit will continue to increase in 2004.



11 **RISK FACTORS**

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 institutionalised 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 have institutionalised our comprehensive health management and quarantine system in Kim Kang after the completion of our acquisition to minimise 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 contributes 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

For the year ended 31 December 2003, the sales of Dragon Fish contributed approximately 23% of our fish sales and less than 10% 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 2003, approximately 70% 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.

Forward integration

All new ventures involve certain calculated risks. In 2004, we are trying out the chain store concept by setting up retail outlets with floor areas ranging from 200 sqm to 1,500 sqm in several countries. The newly set up chain stores will incur initial set up cost and some of them might only be profitable after a year. We will review and closely monitor the performance of these chain stores and will close down any of the unprofitable outlets after a year or two.



QIAN HU CORPORATION LIMITED

12 **DIVIDEND**

(a) **Present period**

<u>Name of dividend</u>	<u>First & final</u>
Dividend type	Cash
Dividend rate	0.6 cents per ordinary share (less tax)
Par value of shares	\$0.10
Tax rate	22.0%

(b) **Previous corresponding period**

<u>Name of dividend</u>	<u>First & final</u>	<u>Special</u>
Dividend type	Cash	Cash
Dividend rate	0.6 cents per ordinary share (less tax)	0.6 cents per ordinary share (less tax)
Par value of shares	\$0.10	\$0.10
Tax rate	22.0%	22.0%

(c) **Total annual dividend**

	Latest year (\$'000)	Previous year (\$'000)
Ordinary	497	964
Preference	-	-
Total:	497	964

(d) **Date payable**

Subject to shareholders' approval in the Annual General Meeting to be held on 10 March 2004, the dividends will be paid on 2 April 2004.

(e) **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 22 March 2004 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 23 March 2004 for the payment of dividend.



QIAN HU CORPORATION LIMITED

13 **BONUS ISSUE**

The Company is proposing a bonus issue (the “Bonus Issue”) of 21,253,694 new ordinary shares of \$0.10 each in the capital of the Company (the “Bonus Shares”). This will be on the basis of one (1) Bonus Share for every five (5) existing ordinary shares of par value S\$0.10 each held by the shareholders of the Company (the “Shareholders”) on a date to be determined by the directors (the “Books Closure Date”).

The Company will capitalise approximately the sum of \$2,125,369 from its share premium account to be applied towards paying up in full for the Bonus Issue. The actual number of Bonus Shares that will be issued by the Company will depend on the total issued share capital of the Company as at the Books Closure Date.

The Bonus Issue enables the Company to express its appreciation and to reward loyal Shareholders for their continuing support for the Company. At the same time, it will augment the issued share capital base of the Company to reflect the growth and expansion of the Group’s business.

The Bonus Shares, when issued will rank pari passu in all respects with the existing shares in the capital of the Company except that they will not be entitled to any dividend declared in respect of the financial year ended 31 December 2003.

The Bonus Issue and the listing and quotation of the Bonus Shares are subject to the approval of the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the listing and quotation of the Bonus Shares on the Mainboard of Stock Exchange of Singapore (“SGX-Mainboard”). The Company will make an application to the SGX-ST for permission to deal in and for listing and quotation of the Bonus Shares on the SGX-Mainboard.



QIAN HU CORPORATION LIMITED

14 SEGMENT INFORMATION

(a) **Business segments**

Group	Financial year ended 31 Dec 2003				Total \$'000
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	
Turnover					
External sales	27,466	33,646	6,568	-	67,680
Inter-segment sales	2,540	11,168	973	(14,681)	-
Total sales	30,006	44,814	7,541	(14,681)	67,680
Results					
Segment results	5,402	5,377	265	(25)	11,019
Unallocated expenses					(1,251)
					9,768
Financial expenses - net					(214)
Share of profit of associates					-
Taxation					(1,784)
Minority interests					(754)
Net profit for the year					7,016
Net profit margin	19.7%	16.0%	4.0%		10.4%
Assets and liabilities					
Assets	27,333	24,155	4,664	-	56,152
Investment in associates					66
Unallocated assets					1,028
Total assets					57,246
Liabilities	4,908	5,582	1,159	-	11,649
Unallocated liabilities					4,866
Total liabilities					16,515
Other Information					
Capital expenditure	866	786	174	-	1,826
Depreciation and amortisation	797	617	325	-	1,739
Other non-cash expenses (income)	271	(17)	1	-	255



QIAN HU CORPORATION LIMITED

14 SEGMENT INFORMATION

(a) **Business segments (cont'd)**

Group	Financial year ended 31 Dec 2002				Total \$'000
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	
Turnover					
External sales	24,023	31,935	6,735	-	62,693
Inter-segment sales	1,625	12,748	1,333	(15,706)	-
Total sales	25,648	44,683	8,068	(15,706)	62,693
Results					
Segment results	2,438	7,139	272	(85)	9,764
Unallocated expenses					(1,142)
					8,622
Financial expenses - net					(173)
Share of profit of associates					139
Taxation					(2,053)
Minority interests					12
Net profit for the year					6,547
Net profit margin	10.1%	22.4%	4.0%		10.4%
Assets and liabilities					
Assets	13,488	22,169	5,177	-	40,834
Unallocated assets					2,902
Total assets					43,736
Liabilities	4,247	7,313	1,348	-	12,908
Unallocated liabilities					2,602
Total liabilities					15,510
Other Information					
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



QIAN HU CORPORATION LIMITED

14 SEGMENT INFORMATION (cont'd)

(b) Geographical segments

Group	Turnover		Assets		Capital expenditure	
	Financial year ended 31 Dec		Financial year ended 31 Dec		Financial year ended 31 Dec	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	29,741	34,286	24,548	27,786	605	1,470
Other asian countries	28,239	22,065	32,698	15,950	1,221	1,030
Europe	7,856	4,583	-	-	-	-
Others	1,844	1,759	-	-	-	-
Total	67,680	62,693	57,246	43,736	1,826	2,500

15 BREAKDOWN OF SALES

Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
4Q 2003				
Singapore (including domestic sales & sales to Singapore)	2,292	2,787	1,656	6,735
Overseas (including export to & sales in overseas)	4,498	5,443	-	9,941
Total sales	6,790	8,230	1,656	16,676
4Q 2002				
Singapore	3,297	4,328	1,556	9,181
Overseas	2,397	5,623	211	8,231
Total sales	5,694	9,951	1,767	17,412
Financial year ended 31 Dec 2003				
Singapore	10,996	12,191	6,554	29,741
Overseas	16,470	21,455	14	37,939
Total sales	27,466	33,646	6,568	67,680
Financial year ended 31 Dec 2002				
Singapore	12,199	15,641	6,446	34,286
Overseas	11,824	16,294	289	28,407
Total sales	24,023	31,935	6,735	62,693



QIAN HU CORPORATION LIMITED

16 QUARTERLY ANALYSIS

	2003	2002	Change
	\$'000	\$'000	%
Turnover			
1st Quarter	15,942	12,528	27.3
2nd Quarter	17,263	15,289	12.9
3rd Quarter	17,799	17,464	1.9
4th Quarter	<u>16,676</u>	<u>17,412</u>	<u>(4.2)</u>
	<u>67,680</u>	<u>62,693</u>	<u>8.0</u>
Profit before tax			
1st Quarter	1,700	1,411	20.5
2nd Quarter	2,489	2,257	10.3
3rd Quarter	2,506	2,439	2.7
4th Quarter	<u>2,859</u>	<u>2,481</u>	<u>15.2</u>
	<u>9,554</u>	<u>8,588</u>	<u>11.2</u>
Net profit after tax			
1st Quarter	1,309	1,044	25.4
2nd Quarter	1,942	1,873	3.7
3rd Quarter	2,070	1,886	9.8
4th Quarter	<u>1,695</u>	<u>1,744</u>	<u>(2.8)</u>
	<u>7,016</u>	<u>6,547</u>	<u>7.2</u>

- **Turnover**

Slower growth trend due to a dip in demand from the domestic market for accessories products. The shortage in the supply of Dragon Fish in 4Q 2003 caused a further reduction in turnover for that quarter.

- **Profitability**

Generated consistent profit in all the quarters except for in the first quarters due to lower sales recorded as a result of the Chinese New Year holidays which most of the entities in the Group were closed for business for 4 to 7 days.

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
12/01/2004