



QIAN HU CORPORATION LIMITED

HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) STATEMENT OF PROFIT AND LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Note	Group			Group		
		3 months ended 30 Jun		Change %	6 months ended 30 Jun		Change %
		2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000	
Turnover		18,010	17,263	4.3	34,259	33,205	3.2
Cost of sales		(10,902)	(10,942)	(0.4)	(21,545)	(21,027)	2.5
Gross profit		7,108	6,321	12.5	12,714	12,178	4.4
Other operating income		50	44	13.6	76	60	26.7
		7,158	6,365	12.5	12,790	12,238	4.5
Selling & distribution expenses	i	(664)	(334)	98.8	(1,139)	(830)	37.2
General & administration expenses	ii	(4,378)	(3,482)	25.7	(7,959)	(7,119)	11.8
Profit from operations	iii	2,116	2,549	(17.0)	3,692	4,289	(13.9)
Interest expenses	iv	(77)	(60)	28.3	(144)	(101)	42.6
Interest income		3	-	NM	3	1	NM
		2,042	2,489	(18.0)	3,551	4,189	(15.2)
Share of associates results		(66)	-	NM	(66)	-	NM
Profit before taxation		1,976	2,489	(20.6)	3,485	4,189	(16.8)
Taxation	v	(446)	(495)	(9.9)	(680)	(870)	(21.8)
		1,530	1,994	(23.3)	2,805	3,319	(15.5)
Minority interests		(561)	(52)	NM	(642)	(68)	NM
Net profit attributable to Members of the Company		969	1,942	(50.1)	2,163	3,251	(33.5)
Gross profit margin		39.5%	36.6%		37.1%	36.7%	
Net profit margin		5.4%	11.2%		6.3%	9.8%	

NM: Not Meaningful

Notes to Statement of Profit and Loss

(i) Selling & distribution expenses

The increase in selling and distribution expenses in the 2nd quarter and the 1st half of 2004 as compared to its corresponding period in 2003 was mainly due to promotion costs incurred in relation to the newly set up retail chain stores throughout the region.

(ii) General & administration expenses

The increase in general and administration expenses in the 2nd quarter of 2004 is in line with the expansion of the Group's operations.

Kim Kang Aquaculture Sdn Bhd and PT Qian Hu Aquarium & Pets, which became subsidiaries of the Group in July 2003 and January 2004 respectively, recorded expenses amounting to \$559K and \$881K during the 2nd quarter and the 1st half of 2004 respectively, also contributed to the increase in general and administration expenses as compared to its corresponding period in 2003.



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Notes to Statement of Profit and Loss (cont'd)

(iii) Profit from operations

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 30 Jun		6 months ended 30 Jun	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration	20	16	41	35
Directors' remuneration				
- directors of the Company	125	132	254	257
- directors of subsidiaries	169	69	289	142
Amortisation of				
- land use rights	-	-	-	1
- trademarks/customer acquisition costs, product listing fees	12	11	24	22
- goodwill on consolidation	10	-	20	-
Bad trade receivables written off	-	-	1	-
Depreciation of				
- property, plant and equipment	469	368	901	705
- brooder stocks	39	7	76	15
Property, plant and equipment written off	-	-	-	4
(Gain) loss on disposal of				
- property, plant and equipment	(1)	(18)	(1)	(6)
- land use rights	-	-	-	(9)
- a subsidiary	55	-	55	-
Provision for doubtful trade receivables	80	101	84	163
Personnel expenses *	2,121	2,056	4,066	4,061
Exchange loss (gain), net	152	(50)	176	(46)
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	(50)	-	(62)	-

* Include directors' remuneration.

(iv) Interest expenses

The increase in interest expenses in the current quarter and the 1st half of 2004 was mainly due to interest incurred on bank borrowings during the period.

(v) Taxation

The tax charge for 6 months ended 30 June 2004 was lower than the amount obtained by applying the statutory income tax rate on profit before taxation mainly due to qualifying income enjoying concessionary tax rate from the IHQ status.

On the other hand, the tax charge for the current quarter was higher than the statutory tax rate due to:

- losses incurred by some subsidiaries which cannot be offset against profits earned by other companies in the Group. However, these losses are available for set-off against future profits of the respective subsidiaries subject to the agreement of the revenue authorities; and
- varying statutory tax rates of different countries in which the Group operates.



QIAN HU CORPORATION LIMITED

1(b)(i) BALANCE SHEETS

	Group		Company	
	30 Jun 2004	31 Dec 2003	30 Jun 2004	31 Dec 2003
	\$	\$	\$	\$
Share capital and reserves				
Share capital	12,821,124	10,626,847	12,821,124	10,626,847
Reserves	25,811,148	25,924,237	19,869,448	20,840,909
	38,632,272	36,551,084	32,690,572	31,467,756
Minority interests	5,003,120	4,180,208	-	-
	43,635,392	40,731,292	32,690,572	31,467,756
Property, plant and equipment				
Brooder stocks	13,937,558	12,897,075	3,869,536	4,173,300
Investments in subsidiaries	7,274,957	7,337,702	1,328,145	1,342,740
Investments in associates	-	-	8,343,789	8,975,428
Quoted equity investments, at cost	-	66,444	28,722	28,722
Intangible assets	3,737	3,729	-	-
Land use rights	874,086	861,109	63,811	78,695
	-	89,814	-	-
Current assets				
Inventories	18,244,604	14,722,453	5,273,230	4,634,226
Breeder stocks	1,555,690	1,493,690	250,000	188,000
Trade receivables	13,727,352	13,120,593	5,963,784	6,886,499
Other receivables, deposits and prepayments	2,006,878	1,764,739	300,004	269,312
Due from				
- subsidiaries (trade)	-	-	12,556,447	9,572,643
- subsidiaries (non-trade)	-	-	2,626,650	1,532,154
- associates (trade)	706,600	662,105	636,239	636,625
Fixed deposits	101,594	101,594	23,046	23,046
Cash and bank balances	4,152,832	4,125,387	2,781,799	2,809,258
	40,495,550	35,990,561	30,411,199	26,551,763
Current liabilities				
Trade payables	5,389,001	4,347,183	2,479,108	2,644,882
Bills payable to banks	1,691,677	1,950,423	1,691,677	1,950,423
Other payables and accruals	2,287,167	3,179,832	1,711,567	2,118,227
Due to				
- subsidiaries (trade)	-	-	327,950	112,352
- minority shareholders of subsidiaries (non-trade)	1,909,066	2,539,592	266,353	1,064,079
Finance lease obligations	290,158	313,327	150,560	161,336
Bank term loans (unsecured)	3,612,213	449,404	3,498,841	-
Provision for taxation	1,100,829	1,077,331	665,878	995,480
Bank overdraft (unsecured)	76,780	102,613	-	-
	16,356,891	13,959,705	10,791,934	9,046,779
Net current assets	24,138,659	22,030,856	19,619,265	17,504,984
Non-current liabilities				
Finance lease obligations	(570,120)	(650,803)	(304,696)	(378,113)
Bank term loans (unsecured)	(970,463)	(932,834)	-	-
Deferred taxation	(1,053,022)	(971,800)	(258,000)	(258,000)
	43,635,392	40,731,292	32,690,572	31,467,756



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

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2004</u>	<u>31 Dec 2003</u>	<u>30 Jun 2004</u>	<u>31 Dec 2003</u>
Inventory turnover (days)	140	125	52	53
Trade receivables turnover (days)	70	69	53	54
Debt equity ratio	0.49	0.45	0.35	0.31

Notes to Balance Sheets

(1) The details of subsidiaries as at 30 June 2004 are as follows :

Name	<u>Effective equity interest held by the Group</u>		<u>Cost of investment by the Company</u>	
	<u>30 Jun 2004</u>	<u>31 Dec 2003</u>	<u>30 Jun 2004</u>	<u>31 Dec 2003</u>
	%	%	\$	\$
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	65	6,695,788	6,695,788
Fujian Anxi Qianlong Plastics Private Co., Ltd (People's Republic of China)	- #	100	-	1,350,444
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Wan Jiang Technology Co., Ltd (People's Republic of China)	80 ^	60	492,859	249,054
PT Qian Hu Aquarium & Pets Indonesia (Indonesia)	55 @	-	475,000	-
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>8,343,789</u>	<u>8,975,428</u>

Disposed of in June 2004.

^ Acquired additional equity interest in April 2004.

@ Acquired in June 2004.

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



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

(2) The details of associates as at 30 June 2004 are as follows :

Name	Effective equity interest held by the Group		Cost of investment by the Group	
	30 Jun 2004	31 Dec 2003	30 Jun 2004	31 Dec 2003
	%	%	\$	\$
Jin Jien Hsing Enterprise Co. (Republic of China)	50	50	28,722	28,722
PLC Pet Safari (Kuala Lumpur) Sdn Bhd (Malaysia)	49	49	66,444	66,444
			95,166	95,166
Share of post-acquisition losses			(95,166)	(28,722)
			-	66,444

(3) Intangible assets comprise:

	Group		Company	
	30 Jun 2004	31 Dec 2003	30 Jun 2004	31 Dec 2003
	\$	\$	\$	\$
At cost				
- trademarks/customer acquisition costs	636,977	630,281	618,687	612,031
- product listing fees	40,440	40,440	40,440	40,440
- goodwill on consolidation	866,762	815,898	-	-
	1,544,179	1,486,619	659,127	652,471
Less accumulated amortisation	(670,093)	(625,510)	(595,316)	(573,776)
	874,086	861,109	63,811	78,695

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.

- (4) The decrease in land use rights is mainly due to the disposal of land use rights held by one of our subsidiaries in China to a third party at cost.
- (5) The increase in inventory balance is due to additional inventory purchases made for the retail chain stores business which have commenced operations since end March 2004. In addition, the relocation of the Guangzhou factory has caused disruption in its production process, resulting in the temporary piling up of raw materials.



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

- (6) The increase in bank term loans balances as at 30 June 2004 was due to additional bank borrowings obtained from financial institutions to finance the Group's overseas expansion. (Please refer to the statement of cash flows on pages 7 and 8 for further details)

1(b)(ii) **GROUP BORROWINGS**

	As at 30 Jun 2004 \$	As at 31 Dec 2003 \$
Amount repayable within one year		
Secured	-	-
Unsecured	<u>3,979,151</u>	<u>865,344</u>
	<u>3,979,151</u>	<u>865,344</u>
Amount repayable after one year		
Secured	-	-
Unsecured	<u>1,540,583</u>	<u>1,583,637</u>
	<u>1,540,583</u>	<u>1,583,637</u>

Included in unsecured bank term loans are :

- Short term revolving bank loans amounting to \$3,495,000 (31/12/2003: \$245,000) which bears interest ranging from 3.125% to 3.320% (31/12/2003: 5.3%) per annum
- 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

As at 30 June 2004, there were corporate guarantees given by the Company to banks for banking facilities extended to 2 subsidiaries amounting to \$3.0 million (31/12/2003: \$2.1 million). In addition, corporate guarantee of \$138,000 (31/12/2003: \$138,000) was given by one of the subsidiaries to a bank for credit facilities granted to an associate.



QIAN HU CORPORATION LIMITED

1(c) STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2004

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>	<u>2003</u>	<u>6 months ended 30 Jun</u>	<u>2003</u>
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash flows from operating activities				
Profit before taxation and minority interests	1,975,126	2,489,118	3,484,384	4,189,196
Adjustments for:				
Bad trade receivables written off	-	-	1,440	-
Depreciation of				
- property, plant and equipment	469,238	367,684	901,482	705,020
- brooder stocks	38,613	7,297	76,007	14,595
Property, plant and equipment written off	-	-	-	4,294
(Gain) loss on disposal of				
- property, plant and equipment	(530)	(17,597)	(530)	(5,844)
- land use rights	-	-	-	(9,090)
- a subsidiary	55,221	-	55,221	-
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	(50,000)	-	(62,000)	-
Amortisation of				
- land use rights	-	501	328	1,002
- trademarks/customer acquisition costs and product listing fees	12,021	11,304	24,161	22,415
- goodwill on consolidation	10,199	-	20,398	-
Provision for doubtful trade receivables	79,958	100,655	83,954	162,710
Share of associates results	66,444	-	66,444	-
Interest expense	76,891	60,269	143,994	101,300
Interest income	(2,837)	(723)	(2,916)	(1,613)
Net effect of exchange differences	35,196	(63,874)	15,135	(57,484)
Operating profit before working capital changes	2,765,540	2,954,634	4,807,502	5,126,501
(Increase) decrease in:				
Inventories	(2,146,748)	(207,334)	(3,432,760)	(584,240)
Trade receivables	(875,999)	(786,145)	(699,764)	(730,473)
Other receivables, deposits and prepayments	100,130	(81,161)	(268,374)	(310,798)
Due from associates (trade)	(44,439)	(94,549)	(44,439)	(140,901)
Increase (decrease) in:				
Trade payables	423,322	(338,328)	943,813	(1,057,344)
Bills payable to banks	214,661	(961,419)	(258,746)	(568,705)
Other payables and accruals	(850,354)	(33,731)	(898,183)	(651,968)
Cash (used in) generated from operations	(413,887)	451,967	149,049	1,082,072
Payment of income tax	(555,218)	(458,436)	(584,971)	(1,023,154)
Interest paid	(66,410)	(60,269)	(133,513)	(101,300)
Net cash used in operating activities	(1,035,515)	(66,738)	(569,435)	(42,382)



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1(c) STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2004 (cont'd)

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>	<u>2003</u>	<u>6 months ended 30 Jun</u>	<u>2003</u>
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,147,436)	(441,463)	(1,357,592)	(665,090)
Proceeds from disposal of				
- property, plant and equipment	8,028	18,367	312,483	257,283
- land use rights	-	-	89,487	127,200
Payment for trademarks/customer acquisition costs and product listing fees	(2,570)	(923)	(6,656)	(4,341)
Advance for investment	-	-	-	(500,000)
Acquisition of subsidiaries (Note i)	(243,805)	-	(718,805)	-
Disposal of a subsidiary (Note ii)	(23,278)	-	(23,278)	-
Net cash used in investing activities	<u>(1,409,061)</u>	<u>(424,019)</u>	<u>(1,704,361)</u>	<u>(784,948)</u>
Cash flows from financing activities				
Proceeds from issuance of new shares (net)	-	7,680	54,720	28,560
Drawdown of				
- bank term loans	3,495,000	245,920	3,495,000	245,920
- loans from minority shareholders of subsidiaries	191,723	-	191,723	-
Repayment of				
- finance lease obligations	(91,686)	(124,608)	(178,525)	(206,680)
- bank term loans	(271,968)	-	(300,927)	-
- loans from minority shareholders of subsidiaries	(16,587)	-	(426,650)	-
Payment of dividends to shareholders	(511,183)	(964,620)	(511,183)	(964,620)
Interest received	2,837	723	2,916	1,613
Net cash generated from (used in) financing activities	<u>2,798,136</u>	<u>(834,905)</u>	<u>2,327,074</u>	<u>(895,207)</u>
Net increase (decrease) in cash and cash equivalents	353,560	(1,325,662)	53,278	(1,722,537)
Cash and cash equivalents at beginning of period	<u>3,824,086</u>	<u>7,423,812</u>	<u>4,124,368</u>	<u>7,820,687</u>
Cash and cash equivalents at end of period (Note iii)	<u>4,177,646</u>	<u>6,098,150</u>	<u>4,177,646</u>	<u>6,098,150</u>



QIAN HU CORPORATION LIMITED

Notes to Statement of Cash Flows

(i) Acquisition of subsidiaries

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

	\$
Property, plant and equipment acquired	994,183
Inventories	822,983
Trade receivables	275,200
Other receivables	243,715
Cash and bank balances	24,173
Trade payables	(86,928)
Other payables and accruals	(13,359)
Due to holding company	(1,156,294)
Bank term loan	(47,096)
Net assets acquired	<u>1,056,577</u>
Less:	
Minority interest	(388,636)
Goodwill on consolidation	50,864
Net cash outflow from acquisition of subsidiaries	<u>718,805</u>

(ii) Disposal of a subsidiary

The attributable assets of the subsidiary disposed and the cash flow effect of the disposal are set out as follows:-

	\$
Other receivables	27,991
Due from	
- related company	575,557
- holding company	651,630
Cash and bank balances	23,278
Net assets disposed	<u>1,278,456</u>
Loss on disposal of a subsidiary	(55,221)
Total consideration	<u>1,223,235</u>
Less:	
Cash and bank balances disposed	(23,278)
Due to subsidiary	(647,678)
Deferred cash settlement	(575,557)
Net cash outflow from disposal of a subsidiary	<u>(23,278)</u>



QIAN HU CORPORATION LIMITED

Notes to Statement of Cash Flows (cont'd)

(iii) Cash and cash equivalents comprise:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>	<u>3 months ended 30 Jun</u>	<u>6 months ended 30 Jun</u>	<u>6 months ended 30 Jun</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$	\$	\$	\$
Fixed deposits	101,594	101,116	101,594	101,116
Cash and bank balances	4,152,832	5,997,034	4,152,832	5,997,034
Bank overdraft	(76,780)	-	(76,780)	-
	<u>4,177,646</u>	<u>6,098,150</u>	<u>4,177,646</u>	<u>6,098,150</u>

(iv) The Group's **cash flow from operating activities** deteriorated for the 6 months ended 30 June 2004 as well as on a quarter-to-quarter basis mainly due to reinvestment of funds into inventory purchases for the retail chain stores business which commenced operations since end March 2004, coupled with temporary inventory pile up in the Guangzhou factory caused by disruption in its production process.

Net cash used in investing activities was for:

- payment made for the acquisition of PT Qian Hu Aquarium & Pets in January 2004 and an additional 20% equity interest in Guangzhou Wan Jiang Technology Co., Ltd in April 2004.
- capital expenditure incurred for infrastructure and farm facilities in both the Singapore and overseas entities.

Net cash generated from financing activities relates to cash proceeds received from the drawdown of bank loans granted by financial institutions to finance our Guangzhou factory expansion and the setting up of retail chain stores throughout the region.

The amount, however, is partially offset by loans repayment made to minority shareholders of subsidiaries and the settlement of finance lease obligations on a monthly basis, as well as the payment of final dividends to shareholders of approximately \$500K in April 2004.



QIAN HU CORPORATION LIMITED

1(d)(i) STATEMENT OF CHANGES IN EQUITY

Group	Share capital \$	Share premium \$	Revenue reserve \$	Translation reserve \$	Total \$
Balance at 1 Jul 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	<u>10,605,547</u>	<u>7,251,965</u>	<u>17,133,824</u>	<u>(10,507)</u>	<u>34,980,829</u>
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	<u>10,626,847</u>	<u>7,281,785</u>	<u>18,828,755</u>	<u>(186,303)</u>	<u>36,551,084</u>
Currency translation differences	-	-	-	(209,580)	(209,580)
Net profit for the period	-	-	1,193,586	-	1,193,586
Bonus issue of shares via capitalisation of share premium account	2,129,929	(2,129,929)	-	-	-
Issue of new shares	22,800	31,920	-	-	54,720
Balance at 31 Mar 2004	<u>12,779,576</u>	<u>5,183,776</u>	<u>20,022,341</u>	<u>(395,883)</u>	<u>37,589,810</u>
Currency translation differences	-	-	-	185,255	185,255
Net profit for the period	-	-	969,526	-	969,526
Payment of final dividend	-	-	(511,183)	-	(511,183)
Issue of new shares	41,548	357,316	-	-	398,864
Balance at 30 Jun 2004	<u>12,821,124</u>	<u>5,541,092</u>	<u>20,480,684</u>	<u>(210,628)</u>	<u>38,632,272</u>



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

Company	Share capital \$	Share premium \$	Revenue reserve \$	Total \$
Balance at 1 Jul 2003	10,308,970	4,731,644	11,072,888	26,113,502
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	10,605,547	7,251,965	12,522,641	30,380,153
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	10,626,847	7,281,785	13,559,124	31,467,756
Net profit for the period	-	-	945,232	945,232
Bonus issue of shares via capitalisation of share premium account	2,129,929	(2,129,929)	-	-
Issue of new shares	22,800	31,920	-	54,720
Balance at 31 Mar 2004	12,779,576	5,183,776	14,504,356	32,467,708
Net profit for the period	-	-	335,183	335,183
Payment of final dividend	-	-	(511,183)	(511,183)
Issue of new shares	41,548	357,316	-	398,864
Balance at 30 Jun 2004	12,821,124	5,541,092	14,328,356	32,690,572

1(d)(ii) CHANGES IN COMPANY'S SHARE CAPITAL

	Number of shares	\$
Share capital		
- ordinary shares of \$0.10 each		
Issued and fully paid		
Balance as at 1 Jan 2004	106,268,469	10,626,847
Issue of new shares		
- Exercise of employees' share options	228,000	22,800
- Bonus issue	21,299,287	2,129,929
- Consideration for acquisition of a subsidiary	415,482	41,548
Balance as at 30 Jun 2004	128,211,238	12,821,124

During the 1st half of 2004, 228,000 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 30 June 2004, there were no (31/12/2003: 228,000) unexercised share options issued pursuant to the terms of the Pre-IPO Scheme.

In addition, there were options granted to subscribe for 1,440,000 (31/12/2003: 1,472,000) 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 30 June 2004, none of these share options were exercised pursuant to the terms of the Post-IPO Scheme.



QIAN HU CORPORATION LIMITED

1(d)(ii) CHANGES IN COMPANY'S SHARE CAPITAL (cont'd)

In February 2004, the Company issued 21,299,287 ordinary shares of \$0.10 each pursuant to a bonus issue on the basis of 1 bonus share for every 5 existing ordinary shares of \$0.10 each held on book closure date through the capitalisation of the share premium account. The bonus shares rank pari passu in all respects with the existing shares of the Company, except that they are not entitled to any dividend declared in respect of the financial year ended 31 December 2003.

In accordance with the terms and conditions stipulated in the Sales & Purchase Agreement dated 20 January 2003 in relation to the acquisition of Kim Kang Aquaculture Sdn Bhd ("Kim Kang"), the Company issued 415,482 new ordinary shares in June 2004 to the vendors on the basis that they have partially fulfilled their undertaking to the Company to procure certain profit contributions from Kim Kang in the Company's consolidated profit for the financial year ended 31 December 2003.

2 AUDIT

The financial statements have not been audited or reviewed by the Company's auditors.

3 AUDITORS' REPORT

Not applicable

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 2003.

5 CHANGES IN ACCOUNTING POLICIES

Not applicable

6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>	<u>3 months ended 30 Jun</u>	<u>6 months ended 30 Jun</u>	<u>6 months ended 30 Jun</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
EPS (based on consolidated net profit attributable to shareholders)				
- on weighted average number of ordinary shares on issue	0.76 cents	1.56 cents	1.69 cents	2.61 cents
- on a fully diluted basis	0.76 cents	1.55 cents	1.69 cents	2.60 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 127,820,105 (30/6/2003: 124,329,209).

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 128,030,765 (30/6/2003: 124,950,199).



QIAN HU CORPORATION LIMITED

7 NET ASSET VALUE PER SHARE

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2004</u>	<u>31 Dec 2003</u>	<u>30 Jun 2004</u>	<u>31 Dec 2003</u>
Net asset value per share based on existing issued share capital as at the respective period	34.03 cents	38.33 cents	25.50 cents	29.61 cents

8 REVIEW OF GROUP PERFORMANCE

(a) **Turnover**

6 months 2004 vs 6 months 2003

	<u>Group</u>		<u>Increase</u>	
	<u>6 months ended 30 Jun</u>		<u>(Decrease)</u>	
	<u>2004</u>	<u>2003</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	16,680	13,074	3,606	27.6
Accessories	14,224	16,875	(2,651)	(15.7)
Plastics	3,355	3,256	99	3.0
	<u>34,259</u>	<u>33,205</u>	<u>1,054</u>	

For the 6 months ended 30 June 2004, 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 \$1.0 million or 3.2% from \$33.2 million for the 6 months ended 30 June 2003 to \$34.2 million for the 6 months ended 30 June 2004.

On a geographical basis, turnover from Singapore dipped by 27.4% mainly as a result of decrease in sales of ornamental fish and aquarium accessories to local retailers due to lower demand coupled with keen competition. Turnover from overseas grew by 31.0% in the first half of 2004 as compared to its corresponding period in 2003. 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)

2Q 2004 vs 2Q 2003

	<u>Group</u>		<u>Increase</u>	
	<u>2Q</u>	<u>2Q</u>	<u>(Decrease)</u>	
	<u>2004</u>	<u>2003</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	9,509	6,767	2,742	40.5
Accessories	6,762	8,871	(2,109)	(23.8)
Plastics	1,739	1,625	114	7.0
	<u>18,010</u>	<u>17,263</u>	<u>747</u>	

Although the turnover for ornamental fish increased by \$2.7 million or 40.5% in the 1st half of 2004, the reduction in turnover of \$2.1 million or 23.8% registered by the accessories activities has led to only a marginal increase in total turnover of \$0.7 million or 4.3% in the current quarter as compared to its corresponding period in 2003.

Fish

Our continuous effort to increase our export of ornamental fish to more customers and countries around the world from Singapore has increased the sales of ornamental fish on a quarter-to-quarter basis. In addition, sales from our subsidiaries in Malaysia & Indonesia, Kim Kang Aquaculture Sdn Bhd, a dragon fish farm acquired in the second half of 2003, and PT Qian Hu Aquarium & Pets, acquired in 2004, has constituted to the increase in our ornamental fish turnover in the current quarter. The above increase is partially offset by the reduction in domestic demand of ornamental fish as the local market is in the process of consolidation since the 2nd half of 2003, as well as lower sales of ornamental fish recorded by the fish division of another Malaysia subsidiary, Qian Hu Aquarium & Pets (M) Sdn Bhd, during this quarter.

Accessories

The drop in demand from the domestic and Malaysia market has also led to a dip in our accessories sales recorded locally and in our Malaysia subsidiary during the 2nd quarter of 2004 as compared to its corresponding period in 2003.

Plastics

Our turnover from the plastics activities are experiencing a slight growth in the 2nd quarter of 2004 as we managed to focus on generating sales through selling more high value items and expanding our distribution channel to outside Singapore.



QIAN HU CORPORATION LIMITED

8 REVIEW OF GROUP PERFORMANCE (cont'd)

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

2Q 2004 vs 1Q 2004

	<u>Group</u>		Increase (Decrease)	
	2Q 2004	1Q 2004		
	\$'000	\$'000	\$'000	
Fish	9,509	7,171	2,338	32.6
Accessories	6,762	7,462	(700)	(9.4)
Plastics	1,739	1,616	123	7.6
	<u>18,010</u>	<u>16,249</u>	<u>1,761</u>	

Despite the increase in ornamental fish sales in the current quarter of \$2.3 million or 32.6%, the decrease in the accessories turnover by \$0.7 million or 9.4% has narrowed the increase in our overall turnover to \$1.8 million or 10.8% as compared to the previous quarter.

Fish

Our Dragon Fish sales continue to dominate the growth in our ornamental fish turnover in the current quarter, coupled with sales registered by our newly acquired Indonesia subsidiary in the current quarter, give rise to the improved ornamental fish turnover in the 2nd quarter of 2004 as compared to the previous quarter.

Accessories

The reduction in accessories turnover in the current quarter as compared to the 1st quarter of 2004 was mainly due to lower sales for accessories products both in the local and Malaysia market due to market competitiveness.

Plastics

Our plastics turnover recorded in the current quarter improved as compared the previous quarter as we managed to focus on generating sales through selling more high value items and expanding our distribution channel to outside Singapore as mentioned earlier.

(b) **Profitability**

6 months 2004 vs 6 months 2003

	<u>Group</u>		Increase (Decrease)	
	6 months ended 30 Jun			
	2004	2003	\$'000	
	\$'000	\$'000	\$'000	
Fish	2,999	1,956	1,043	53.3
Accessories	1,070	2,745	(1,675)	(61.0)
Plastics	150	192	(42)	(21.9)
Unallocated corporate expenses	(668)	(704)	36	5.1
	<u>3,551</u>	<u>4,189</u>	<u>(638)</u>	

Our operating profit decreased by \$0.6 million or 15.2% to \$3.6 million for the half year ended 30 June 2004 as compared to \$4.2 million for the half year ended 30 June 2004. Profit after taxation decreased by 33.5% from \$3.3 million for the 6 months ended 30 June 2003 to approximately \$2.2 million for the 6 months ended 30 June 2004. Our fish business was the main profit contributor in the 1st half of 2004.



QIAN HU CORPORATION LIMITED

8 REVIEW OF GROUP PERFORMANCE (cont'd)

(b) Profitability (cont'd)

2Q 2004 vs 2Q 2003

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>2Q 2004</u>	<u>2Q 2003</u>		
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	
Fish	2,014	1,339	675	50.4
Accessories	412	1,334	(922)	(69.1)
Plastics	46	132	(86)	(65.2)
Unallocated corporate expenses	(430)	(316)	(114)	(36.1)
	<u>2,042</u>	<u>2,489</u>	<u>(447)</u>	

Fish

Our operating profit from the ornamental fish activities increased by \$0.7 million or 50.4% from \$1.3 million to \$2.0 million in the 2nd quarter of 2004 as compared to its corresponding period in 2003, is in line with the higher ornamental fish sales recorded and the better margins yielded from sales of our own-bred Dragon Fish (produced from our farm in Malaysia acquired in July 2003). The increase, however, was partially offset by the lower profit recorded by the fish division of another Malaysia subsidiary due to lower sales recorded for other ornamental fish in this quarter as compared to 2nd quarter of 2003. Our newly acquired Indonesia subsidiary, PT Qian Hu Aquarium & Pets, also contributed approximately 20% of the increase in profit in the current quarter.

Accessories

The operating profit from our accessories business continued to dip in the 2nd quarter of 2004 by \$0.9 million or 69.1% to \$0.4 million partly as a result of lower turnover recorded, coupled with a reduction in gross profit margin yielded on a quarter-to-quarter basis from both our local and Malaysia operations due to keen competition.

Following the relocation of our Guangzhou manufacturing base to a new site in the 1st quarter of 2004, we continue to incur additional costs on the factory's infrastructure. The production efficiency of the new factory, previously disrupted as a result of relocation and the continuous expansion, was not completely reinstated in the current quarter, thus, has affected the profitability of our accessories business this quarter as compared to its corresponding period in 2003 when the factory was fully operational at the old site.

In addition, our retail chain store operations, which have gradually kick-off since the 1st quarter of 2004, incurred pre-operational expenses which were written-off once they commenced operations in the current quarter. The initial operating losses registered by these retail chain stores in the 2nd quarter of 2004 have also resulted in lower profits registered in the current quarter.

Plastics

Despite registering a slightly higher turnover, our operating profit from the plastics business dipped in the current quarter as compared to the corresponding period in 2003 as we incurred losses amounted to \$55K on the disposal of our loss-making plastics operations in China, Fujian Anxi Qianlong Plastics Private Co., Ltd, coupled with operating losses registered by this subsidiary prior to its disposal.

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, was higher in the current quarter due to expenses incurred in relation to the Group's branding project and the expansion of the Group's activities.



QIAN HU CORPORATION LIMITED

8 REVIEW OF GROUP PERFORMANCE (cont'd)

(b) Profitability (cont'd)

2Q 2004 vs 1Q 2004

	<u>Group</u>		<u>Increase</u>	
	<u>2Q</u>	<u>1Q</u>	<u>(Decrease)</u>	
	<u>2004</u>	<u>2004</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	2,014	985	1,029	104.5
Accessories	412	658	(246)	(37.4)
Plastics	46	104	(58)	(55.8)
Unallocated corporate expenses	(430)	(238)	(192)	(80.7)
	<u>2,042</u>	<u>1,509</u>	<u>533</u>	

Our overall operating profit achieved in the 2nd quarter of 2004 was \$0.5 million or 35.3% higher than the previous quarter. The better performance from the ornamental fish activities was partially offset by the reduction in profitability in both the accessories and plastics activities.

Fish

Operating profit from our ornamental fish business surged in the 2nd quarter of 2004 as compared to the previous quarter mainly due to higher profit contributions from the continuous growth in the sales of own-bred Dragon Fish recorded by Kim Kang Aquaculture Sdn Bhd and additional profit contributed by PT Qian Hu Aquarium & Pets, which was acquired in 2004.

Accessories

The reduction in profitability from our accessories business by \$0.2 million or 37.4% is in line with the lower accessories turnover recorded, coupled with the write off of pre-operational expenses and the initial operating losses incurred by the newly set-up retail chain stores during the current quarter.

Plastics

Operating profit from our plastics activities dipped in the 2nd quarter of 2004 as compared to the previous quarter due to losses amounting to \$55K incurred in the disposal of our loss-making plastics operations in China in the current quarter.

9 VARIANCE FROM PROSPECT STATEMENT

In the 2003 full year and 2004 first quarter results announcements made in January and April 2004 respectively, we expect the Group's overall turnover and profit to increase for the full year 2004, despite fluctuation in operating profit from quarter to quarter. Although the Group's turnover will continue to grow in 2004, due to higher pre-operational expenses and initial operating costs incurred by our retail business, we expect that the Group will remain profitable in 2004, but our profit may not be comparable to that of the previous year.



QIAN HU CORPORATION LIMITED

10 PROSPECTS

Our Group's future growth depends on :

- increase in our export of ornamental fish to more customers and countries all over the world;
- continuous growth of our dragon fish breeding and sales; and
- ability to expand our distribution capability from owning the business to owning the customers.

Fish

We will continue to export more fish to increasing numbers of customers and countries in the world. 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 export 60% to 70% of the world's ornamental fish supply from these 5 countries, hence, adding a positive contribution to our fish turnover.

In addition, we envisage an increasing demand for Dragon Fishes in our regional markets, particularly in Taiwan and China, in the coming years. The acquisition of Kim Kang Aquaculture Sdn Bhd in July 2003 proves to be a right strategic move as our Group is able to strengthen our position as an integrated fish service provider by further backward integrate our fish operations with ability to breed more dragon fish in house while Kim Kang's positive contribution has also optimised the 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 Group is currently moving forward the integration by expanding into the retailing business. We believe that it is extremely essential for the Group, at this point in time, to undertake such expansion so as to enhance our market position. With our prudent effort, the process will require one to two years to conclude results. Our accessories business will experience the most impact from this expansion as some of our existing retailer customers may come into direct competition with us, coupled with keen competition and continuous consolidation of the domestic market, will inevitably affect our accessories results during this period.

Qian Hu – The Pet Family

We kick-off an aggressive expansion of our chain store concept, “**Qian Hu - The Pet Family**” in 2004 which we intend to professionalise a highly fragmented market to mass market a niche industry. Since then, we have opened four retail chain stores in China (two in Shanghai, one each in Nanjing and Guangzhou). We are in the process of setting up at least another 6 to 7 retail outlets in Beijing, Kuala Lumpur, Johor Bahru, Bangkok and Bandung.

All these chain stores, besides selling ornamental fish and its related aquarium accessories, also enable the Group to further expand our pet accessories business, such as dog & cat food and their accessories, which is much bigger than the aquarium accessories business. We believe that the new chain store concept will enhance our growth and profitability in both our fish and accessories business in these countries. However, as we expect to incur higher pre-operational expenditure and initial operating losses on the retail business, this may cause fluctuations in our operating profit from quarter to quarter in the current year.

In view of the expansion process and the gestation period required for our retail chain stores to be profitable, we expect our Group's overall turnover will continue to grow and that we will remain profitable for the entire 2004 but our profit will not be comparable to that of the previous year.



QIAN HU CORPORATION LIMITED

11 DIVIDEND

No interim dividend for the period ended 30 June 2004 is recommended.

12 SEGMENT INFORMATION

(a) **Business segments**

Group	6 months ended 30 Jun 2004				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Turnover					
External sales	16,680	14,224	3,355	-	34,259
Inter-segment sales	2,040	3,555	84	(5,679)	-
Total sales	18,720	17,779	3,439	(5,679)	34,259
Results					
Segment results	3,057	1,126	153	99	4,435
Unallocated expenses					(743)
					3,692
Financial expenses - net					(141)
Share of associates results					(66)
Taxation					(680)
Minority interests					(642)
Net profit for the period					2,163
Net profit margin	18.3%	7.9%	4.6%		6.3%
Assets and liabilities					
Assets	29,745	27,921	3,862	-	61,528
Unallocated assets					1,058
Total assets					62,586
Liabilities	5,535	5,034	1,188	-	11,757
Unallocated liabilities					7,193
Total liabilities					18,950
Other Information					
Capital expenditure	390	922	121	-	1,433
Depreciation and amortisation	538	354	129	-	1,021
Other non-cash expenses (income)	9	14	55	-	78



QIAN HU CORPORATION LIMITED

12 SEGMENT INFORMATION (cont'd)

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

Group	6 months ended 30 Jun 2003				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Turnover					
External sales	13,074	16,875	3,256	-	33,205
Inter-segment sales	1,161	6,223	609	(7,993)	-
Total sales	<u>14,235</u>	<u>23,098</u>	<u>3,865</u>	<u>(7,993)</u>	<u>33,205</u>
Results					
Segment results	1,965	2,832	196	36	5,029
Unallocated expenses					(740)
					<u>4,289</u>
Financial expenses - net					(100)
Taxation					(870)
Minority interests					(68)
Net profit for the period					<u>3,251</u>
Net profit margin	15.0%	16.8%	6.0%		9.8%
Assets and liabilities					
Assets	13,176	23,412	4,752	-	41,340
Unallocated assets					2,522
Total assets					<u>43,862</u>
Liabilities	3,365	6,432	989	-	10,786
Unallocated liabilities					2,491
Total liabilities					<u>13,277</u>
Other Information					
Capital expenditure	225	501	98	-	824
Depreciation and amortisation	307	278	158	-	743
Other non-cash expenses (income)	160	(13)	5	-	152



QIAN HU CORPORATION LIMITED

12 SEGMENT INFORMATION (cont'd)

(b) Geographical segments

Group	Turnover		Assets		Capital expenditure	
	6 months ended 30 Jun		6 months ended 30 Jun		6 months ended 30 Jun	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	11,476	15,813	24,244	26,813	171	356
Other asian countries	17,838	13,164	38,342	17,049	1,262	468
Europe	3,246	3,058	-	-	-	-
Others	1,699	1,170	-	-	-	-
Total	34,259	33,205	62,586	43,862	1,433	824

13 BREAKDOWN OF SALES

Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
2Q 2004				
Singapore (including domestic sales & sales to Singapore)	1,905	1,720	1,653	5,278
Overseas (including export to & sales in overseas)	7,604	5,042	86	12,732
Total sales	9,509	6,762	1,739	18,010
2Q 2003				
Singapore	3,035	3,240	1,625	7,900
Overseas	3,732	5,631	-	9,363
Total sales	6,767	8,871	1,625	17,263
6 months ended 30 Jun 2004				
Singapore (including domestic sales & sales to Singapore)	3,930	4,277	3,269	11,476
Overseas (including export to & sales in overseas)	12,750	9,947	86	22,783
Total sales	16,680	14,224	3,355	34,259
6 months ended 30 Jun 2003				
Singapore	6,097	6,460	3,256	15,813
Overseas	6,977	10,415	-	17,392
Total sales	13,074	16,875	3,256	33,205

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
19/07/2004