



QIAN HU CORPORATION LIMITED

HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) STATEMENT OF PROFIT AND LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Note	Group			Group		
		3 months ended 30 Jun		Change %	6 months ended 30 Jun		Change %
		2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000	
Turnover		15,642	18,010	(13.1)	31,970	34,259	(6.7)
Cost of sales		(9,846)	(10,902)	(9.7)	(20,256)	(21,545)	(6.0)
Gross profit		5,796	7,108	(18.5)	11,714	12,714	(7.9)
Other operating income		46	50	(8.0)	69	76	(9.2)
		5,842	7,158	(18.4)	11,783	12,790	(7.9)
Selling & distribution expenses	i	(708)	(664)	6.6	(1,332)	(1,139)	16.9
General & administration expenses	i	(4,381)	(4,378)	0.1	(8,908)	(7,959)	11.9
Profit from operations	iii	753	2,116	(64.4)	1,543	3,692	(58.2)
Interest expenses	ii	(168)	(77)	118.2	(243)	(144)	68.8
Interest income		5	3	66.7	5	3	66.7
		590	2,042	(71.1)	1,305	3,551	(63.2)
Share of associates results		-	(66)	(100.0)	-	(66)	(100.0)
Profit before taxation		590	1,976	(70.1)	1,305	3,485	(62.6)
Taxation	iv	(92)	(446)	(79.4)	(238)	(680)	(65.0)
		498	1,530	(67.5)	1,067	2,805	(62.0)
Minority interests		(18)	(561)	(96.8)	(116)	(642)	(81.9)
Net profit attributable to Members of the Company		480	969	(50.5)	951	2,163	(56.0)
Gross profit margin		37.1%	39.5%		36.6%	37.1%	
Net profit margin		3.1%	5.4%		3.0%	6.3%	

Notes to Statement of Profit and Loss

- (i) The operating expenses incurred in the 2nd quarter of 2005 were relatively comparable to its corresponding period in 2004. The increase in operating expenses for the 1st half of 2005 as compared to its corresponding period in 2004 was mainly due to expenses incurred in relation to the newly set up retail chain stores throughout the region mostly in the 2nd half of 2004 which is in line with the expansion of the Group's operations.
- (ii) The increase in interest expenses in the current quarter and the 1st half of 2005 as compared to its corresponding period in 2004 was mainly due to interest incurred on higher bank borrowings during the period.



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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	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	18	18	36	36
- other auditors	3	2	9	5
Non-audit fees				
- auditors of the Company	-	-	5	11
- other auditors	-	-	15	-
Directors' fees				
- directors of the Company	10	-	15	-
Directors' remuneration				
- directors of the Company	164	125	327	254
- directors of subsidiaries	157	169	334	289
Amortisation of				
- trademarks/customer acquisition costs	-	11	-	22
- product listing fees	8	1	13	2
- goodwill on consolidation	-	10	-	20
Bad trade receivables written off	13	-	13	1
Depreciation of				
- property, plant and equipment	549	469	1,093	902
- brooder stocks	38	39	75	76
(Gain) loss on disposal of				
- property, plant and equipment	(5)	(1)	1	(1)
- a subsidiary	-	55	-	55
Provision for				
- doubtful trade receivables	123	80	212	84
- due from associates	155	-	175	-
Operating lease expenses	276	196	607	329
Personnel expenses *	2,261	2,121	4,682	4,066
Exchange (gain) loss, net	(48)	152	(179)	176
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	-	(50)	-	(62)

* Include directors' fees and remuneration.

(iv) Taxation

The tax charge for the current quarter and for the 6 months ended 30 June 2005 was lower than the amount obtained by applying the statutory income tax rate on the profit before taxation mainly due to qualifying income enjoying concessionary tax rate from the IHQ status.

The effective tax rate of the Group for the current quarter would be lower, if not for 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.



QIAN HU CORPORATION LIMITED

1(b)(i) BALANCE SHEETS

	Group		Company	
	30 Jun 2005	31 Dec 2004	30 Jun 2005	31 Dec 2004
	\$	\$	\$	\$
Share capital and reserves				
Share capital	12,821,124	12,821,124	12,821,124	12,821,124
Reserves	25,973,013	24,808,117	21,517,870	20,628,183
	38,794,137	37,629,241	34,338,994	33,449,307
Minority interests	4,974,578	4,760,704	-	-
	43,768,715	42,389,945	34,338,994	33,449,307
Property, plant and equipment				
Brooder stocks	13,938,502	14,060,956	3,336,241	3,565,915
Investments in subsidiaries	6,994,377	6,926,116	1,298,955	1,313,550
Investments in associates	-	-	9,559,013	9,347,890
Quoted equity investments, at cost	-	-	28,722	28,722
Intangible assets	3,655	3,564	-	-
	1,879,879	1,845,309	137,933	103,434
Current assets				
Inventories	21,621,651	19,909,846	5,453,815	5,211,774
Breeder stocks	1,721,800	1,721,800	245,800	245,800
Trade receivables	13,423,687	13,674,424	5,817,729	6,685,375
Other receivables, deposits and prepayments	2,160,170	1,792,476	569,232	280,184
Due from				
- subsidiaries (trade)	-	-	16,538,136	15,196,986
- subsidiaries (non-trade)	-	-	2,223,153	3,130,522
- associates (trade)	390,480	794,471	338,438	563,627
Fixed deposits	52,387	23,046	23,046	23,046
Cash and bank balances	4,144,446	4,129,912	2,762,923	2,558,016
	43,514,621	42,045,975	33,972,272	33,895,330
Current liabilities				
Trade payables	5,020,296	4,182,423	2,131,448	2,020,268
Bills payable to banks	1,156,531	1,289,428	723,720	893,716
Other payables and accruals	3,146,913	2,899,111	2,141,630	2,297,535
Due to				
- subsidiaries (trade)	-	-	671,023	80,716
- minority shareholders of subsidiaries (non-trade)	2,272,572	2,736,847	635,228	1,270,456
Finance lease obligations	323,833	320,703	129,055	133,555
Bank term loans	6,948,777	7,440,082	6,800,000	7,295,000
Provision for taxation	887,103	973,479	372,928	361,678
Bank overdraft (secured)	411,177	-	-	-
	20,167,202	19,842,073	13,605,032	14,352,924
Net current assets	23,347,419	22,203,902	20,367,240	19,542,406
Non-current liabilities				
Finance lease obligations	(328,036)	(436,572)	(154,110)	(217,610)
Bank term loans	(985,511)	(1,045,891)	-	-
Deferred taxation	(1,081,570)	(1,167,439)	(235,000)	(235,000)
	43,768,715	42,389,945	34,338,994	33,449,307



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

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2005</u>	<u>31 Dec 2004</u>	<u>30 Jun 2005</u>	<u>31 Dec 2004</u>
Inventory turnover (days)	188	162	77	69
Trade receivables turnover (days)	77	75	56	63
Debt equity ratio	0.58	0.60	0.41	0.44

Notes to Balance Sheets

(1) The details of subsidiaries as at 30 June 2005 are as follows:

Name	<u>Effective equity interest held by the Group</u>		<u>Cost of investment by the Company</u>	
	<u>30 Jun 2005</u>	<u>31 Dec 2004</u>	<u>30 Jun 2005</u>	<u>31 Dec 2004</u>
	%	%	\$	\$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	150,451	150,451
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Kim Kang Aquaculture Sdn Bhd and its subsidiary: (Malaysia)	65	65	7,699,891	7,699,891
- Qian Hu The Pet Family (KK) Sdn Bhd (Malaysia)	65	65	-	-
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd (formerly known as Guangzhou Wan Jiang Technology Co., Ltd) (People's Republic of China)	100 ^	80	492,859	492,859
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	-	211,123 #	-
PT Qian Hu Aquarium & Pets Indonesia (Indonesia)	55	55	475,000	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>9,559,013</u>	<u>9,347,890</u>



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Notes to Balance Sheets (cont'd)

^ Increased equity interest in May 2005 with no additional cost.

The Company injected US\$130,000, which represents 20% of the paid up capital of Shanghai Qian Hu Aquarium and Pets Co., Ltd, in the first quarter of 2005. The Company is committed to contribute the balance of its paid up capital (US\$520,000) by 16 December 2005.

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

(2) The details of associates as at 30 June 2005 are as follows:

Name	Effective equity interest held by the Group		Cost of investment by the Group	
	30 Jun 2005	31 Dec 2004	30 Jun 2005	31 Dec 2004
	%	%	\$	\$
Jin Jien Hsing Enterprise Co., Ltd (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)	(95,166)
			-	-

* The Group disposed of its entire equity interest on 1 July 2005.

(3) Intangible assets comprise:

	Group		Company	
	30 Jun 2005	31 Dec 2004	30 Jun 2005	31 Dec 2004
	\$	\$	\$	\$
At cost				
- trademarks/customer acquisition costs	653,645	638,906	635,759	621,464
- product listing fees	141,683	108,342	141,683	108,342
- goodwill on consolidation	1,870,865	1,870,865	-	-
	2,666,193	2,618,113	777,442	729,806
Less accumulated amortisation	(786,314)	(772,804)	(639,509)	(626,372)
	1,879,879	1,845,309	137,933	103,434

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.



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Notes to Balance Sheets (cont'd)

- (4) The increase in inventory balance was due to inventory purchases made for the retail chain stores business which commenced operations mostly in the 2nd half of 2004. Accordingly, it has resulted in the increase in trade payable balances as at 30 June 2005.
- (5) Bills payable comprise:

	Group		Company	
	30 Jun 2005	31 Dec 2004	30 Jun 2005	31 Dec 2004
	\$	\$	\$	\$
Secured	432,811	395,712	-	-
Unsecured	723,720	893,716	723,720	893,716
	<u>1,156,531</u>	<u>1,289,428</u>	<u>723,720</u>	<u>893,716</u>

The bills payable and bank overdraft are secured by a mortgage on a subsidiary's freehold land.

- (6) The decrease in bank term loans balances and amount due to minority shareholders of subsidiaries was due to repayment made during the period.

1(b)(ii) GROUP BORROWINGS

	Group		Company	
	30 Jun 2005	31 Dec 2004	30 Jun 2005	31 Dec 2004
	\$	\$	\$	\$
Due within 1 year:				
- Short-term loans (unsecured)	6,800,000	7,295,000	6,800,000	7,295,000
- Long-term loans, current portion (secured)	148,777	145,082	-	-
	<u>6,948,777</u>	<u>7,440,082</u>	<u>6,800,000</u>	<u>7,295,000</u>
Due after 1 year:				
- Long-term loans (secured)	985,511	1,045,891	-	-
	<u>7,934,288</u>	<u>8,485,973</u>	<u>6,800,000</u>	<u>7,295,000</u>

The unsecured short-term loans are revolving bank loans which bore interest at rates ranging from 3.81% to 4.50% (31/12/2004: 3.13% to 3.94%) per annum.

The secured long-term loans comprise:

- an 8-year bank loan of RM2.65 million which bore interest at 7.9% (31/12/2004: 7.9%) per annum and is repayable in 96 monthly instalments commencing July 2003; and
- a 7-year bank loan of RM0.5 million which bore interest at 7.75% (31/12/2004: 7.75%) per annum and is repayable in 84 instalments commencing January 2005.

The above loans are secured by a mortgage on a subsidiary's freehold land and buildings.

As at 30 June 2005, there were corporate guarantees given by the Company to banks for banking facilities extended to subsidiaries amounting to \$4.0 million (31/12/2004: \$4.0 million). In addition, corporate guarantee of \$132,000 (31/12/2004: \$132,000) 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 2005

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>	<u>2004</u>	<u>6 months ended 30 Jun</u>	<u>2004</u>
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash flows from operating activities				
Profit before taxation and minority interests	590,078	1,975,126	1,304,806	3,484,384
Adjustments for:				
Bad trade receivables written off	12,798	-	13,316	1,440
Depreciation of				
- property, plant and equipment	549,134	469,238	1,093,138	901,482
- brooder stocks	37,801	38,613	74,652	76,007
(Gain) loss on disposal of				
- property, plant and equipment	(4,930)	(530)	1,311	(530)
- 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	-	-	-	328
- trademarks/customer acquisition costs	-	10,992	-	22,103
- product listing fees	7,978	1,029	13,137	2,058
- goodwill on consolidation	-	10,199	-	20,398
Provision for				
- doubtful trade receivables	122,750	79,958	211,639	83,954
- due from associates	155,493	-	175,493	-
Share of associates results	-	66,444	-	66,444
Interest expense	167,987	76,891	243,101	143,994
Interest income	(5,003)	(2,837)	(5,003)	(2,916)
Net effect of exchange differences	22,253	35,196	(15,222)	15,135
Operating profit before working capital changes	1,656,339	2,765,540	3,110,368	4,807,502
(Increase) decrease in:				
Inventories	37,801	(2,146,748)	(1,686,352)	(3,432,760)
Trade receivables	508,397	(875,999)	113,652	(699,764)
Other receivables, deposits and prepayments	94,919	100,130	(364,978)	(268,374)
Due from associates (trade)	(21,639)	(44,439)	112,339	(44,439)
Increase (decrease) in:				
Trade payables	(1,094,379)	423,322	810,978	943,813
Bills payable to banks	50,931	214,661	(142,973)	(258,746)
Other payables and accruals	387,075	(850,354)	242,262	(898,183)
Cash generated from (used in) operations	1,619,444	(413,887)	2,195,296	149,049
Payment of income tax	(178,291)	(555,218)	(309,060)	(584,971)
Interest paid	(136,589)	(66,410)	(238,274)	(133,513)
Net cash generated from (used in) operating activities	1,304,564	(1,035,515)	1,647,962	(569,435)



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1(c) STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2005 (cont'd)

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$	\$	\$	\$
Cash flows from investing activities				
Purchase of property, plant and equipment	(465,770)	(1,147,436)	(743,152)	(1,357,592)
Proceeds from disposal of				
- property, plant and equipment	37,375	8,028	37,506	312,483
- land use rights	-	-	-	89,487
Payment for trademarks/customer acquisition costs and product listing fees	(26,243)	(2,570)	(47,636)	(6,656)
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>(454,638)</u>	<u>(1,409,061)</u>	<u>(753,282)</u>	<u>(1,704,361)</u>
Cash flows from financing activities				
Proceeds from issuance of new shares (net)	-	-	-	54,720
Drawdown of				
- bank term loans	-	3,495,000	405,000	3,495,000
- loans from minority shareholders of subsidiaries	64,052	191,723	177,840	191,723
Repayment of				
- finance lease obligations	(89,099)	(91,686)	(188,565)	(178,525)
- bank term loans	(942,697)	(271,968)	(987,011)	(300,927)
- loans from minority shareholders of subsidiaries	(317,417)	(16,587)	(674,249)	(426,650)
Payment of dividends to shareholders	-	(511,183)	-	(511,183)
Interest received	5,003	2,837	5,003	2,916
Net cash (used in) generated from financing activities	<u>(1,280,158)</u>	<u>2,798,136</u>	<u>(1,261,982)</u>	<u>2,327,074</u>
Net (decrease) increase in cash and cash equivalents	<u>(430,232)</u>	<u>353,560</u>	<u>(367,302)</u>	<u>53,278</u>
Cash and cash equivalents at beginning of period	<u>4,215,888</u>	<u>3,824,086</u>	<u>4,152,958</u>	<u>4,124,368</u>
Cash and cash equivalents at end of period (Note iii)	<u>3,785,656</u>	<u>4,177,646</u>	<u>3,785,656</u>	<u>4,177,646</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:-

	Group	
	6 months ended 30 Jun	
	2005	2004
	\$	\$
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)
	<hr/>	<hr/>
Net assets acquired	-	1,056,577
Less:		
Minority interest	-	(388,636)
Goodwill on consolidation	-	50,864
	<hr/>	<hr/>
Net cash outflow from acquisition of subsidiaries	-	718,805

(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:-

	Group	
	6 months ended 30 Jun	
	2005	2004
	\$	\$
Other receivables	-	27,991
Due from		
- related company	-	575,557
- holding company	-	651,630
Cash and bank balances	-	23,278
	<hr/>	<hr/>
Net assets disposed	-	1,278,456
Loss on disposal of a subsidiary	-	(55,221)
	<hr/>	<hr/>
Total consideration	-	1,223,235
Less:		
Cash and bank balances disposed	-	(23,278)
Due to subsidiary	-	(647,678)
Deferred cash settlement	-	(575,557)
	<hr/>	<hr/>
Net cash outflow from disposal of a subsidiary	-	(23,278)



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Notes to Statement of Cash Flows (cont'd)

(iii) Cash and cash equivalents comprise:

	Group	
	30 Jun 2005	30 Jun 2004
	\$	\$
Fixed deposits	52,387	101,594
Cash and bank balances	4,144,446	4,152,832
Bank overdraft	(411,177)	(76,780)
	<u>3,785,656</u>	<u>4,177,646</u>

(iv) The significant improvement in the Group's **net cash generated from operating activities** on a quarter-to-quarter basis as well as during the 1st half of 2005 as the Group managed to reduce the amount of inventory purchases and its outstanding trade debts as compared to the corresponding period in 2004. In addition, the amount of income tax paid in 2005 was lower due to lower profit recorded for the financial year ended 31 December 2004.

Net cash used in investing activities mainly relate to capital expenditure incurred for farm facilities in the Singapore and overseas entities, as well as for the setting up of retail chain stores throughout the region.

Net cash used in financing activities was for loans repayment made to financial institutions and minority shareholders of subsidiaries and the settlement of finance lease obligations on a monthly basis.



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

Group	Share capital \$	Share premium \$	Revenue reserve \$	Translation reserve \$	Total \$
Balance at 1 Jan 2004	10,626,847	7,281,785	18,828,755	(186,303)	36,551,084
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	12,779,576	5,183,776	20,022,341	(395,883)	37,589,810
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	12,821,124	5,541,092	20,480,684	(210,628)	38,632,272
Currency translation differences	-	-	-	(180,846)	(180,846)
Net loss for the period	-	-	(682,274)	-	(682,274)
Balance at 30 Sep 2004	12,821,124	5,541,092	19,798,410	(391,474)	37,769,152
Currency translation differences	-	-	-	(286,355)	(286,355)
Net profit for the period	-	-	146,444	-	146,444
Balance at 31 Dec 2004	12,821,124	5,541,092	19,944,854	(677,829)	37,629,241
Currency translation differences	-	-	-	76,191	76,191
Net profit for the period	-	-	470,717	-	470,717
Balance at 31 Mar 2005	12,821,124	5,541,092	20,415,571	(601,638)	38,176,149
Currency translation differences	-	-	-	138,092	138,092
Net profit for the period	-	-	479,896	-	479,896
Balance at 30 Jun 2005	12,821,124	5,541,092	20,895,467	(463,546)	38,794,137



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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 Jan 2004	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
Net profit for the period	-	-	236,755	236,755
Balance at 30 Sep 2004	12,821,124	5,541,092	14,565,111	32,927,327
Net profit for the period	-	-	521,980	521,980
Balance at 31 Dec 2004	12,821,124	5,541,092	15,087,091	33,449,307
Net profit for the period	-	-	745,455	745,455
Balance at 31 Mar 2005	12,821,124	5,541,092	15,832,546	34,194,762
Net profit for the period	-	-	144,232	144,232
Balance at 30 Jun 2005	12,821,124	5,541,092	15,976,778	34,338,994

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 2005 and 30 Jun 2005	128,211,238	12,821,124

As at 30 June 2005, there were 1,254,000 (31/12/2004: 1,338,000) unissued ordinary shares of \$0.10 each in the Company under options granted to eligible employees of the Group, including associates of controlling shareholders of the Company, under the Qian Hu Post-IPO Share Option Scheme ("Post-IPO Scheme") at \$0.59 per share. During the 1st half of 2005, 84,000 options were cancelled due to the resignation of employees. None of these share options were exercised pursuant to the terms of the Post-IPO Scheme.

2 AUDIT

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

3 AUDITORS' REPORT

Not applicable



QIAN HU CORPORATION LIMITED

4 ACCOUNTING POLICIES

Other than the adoption of the new Financial Reporting Standards (FRS) as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2004.

5 CHANGES IN ACCOUNTING POLICIES

With effect from 1 January 2005, the Group and the Company adopted the following revised and new FRSs issued by the Council on Corporate Disclosure and Governance (CCDG):

- (i) FRS 103 – Business Combinations
- Revised FRS 36 – Impairment of Assets
- Revised FRS 38 – Intangible Assets

The above FRSs, which took effect from financial years beginning on or after 1 July 2004, require goodwill acquired in a business combination and intangible assets with indefinite life to be measured at cost less accumulated impairment losses. Goodwill and intangible assets with indefinite life shall no longer be amortised. Instead, impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill or intangible assets might be impaired. This replaced FRS 22 and the earlier FRS 38 which required a company's acquired goodwill and intangible asset to be systematically amortised over their useful lives, and included a rebuttable presumption that their useful lives could not exceed 20 years from initial recognition.

For the financial year ending 31 December 2005, the annual goodwill amortisation to the profit and loss statement of approximately \$91K relating to the acquisition of Kim Kang Aquaculture Sdn Bhd and the amortisation of trademarks/customer acquisition costs of \$51K will not be required. Instead, impairment tests (when appropriate) will be carried out.

- (ii) FRS 39 – Financial Instruments : Recognition and Measurement
- FRS 102 – Share-based Payment

The adoption of the above FRSs, which took effect from financial years beginning on or after 1 January 2005, are currently assessed to have no material financial impact on the results and retained earnings of the Group and of the Company.

6 EARNINGS PER ORDINARY SHARE (EPS)

	Group		Group	
	3 months ended 30 Jun 2005	2004	6 months ended 30 Jun 2005	2004
EPS (based on consolidated net profit attributable to shareholders)				
- on weighted average number of ordinary shares on issue	0.37 cents	0.76 cents	0.74 cents	1.69 cents
- on a fully diluted basis	0.37 cents	0.76 cents	0.74 cents	1.69 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 128,211,238 (30/6/2004: 127,820,105).

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 128,211,238 (30/6/2004: 128,030,765).



QIAN HU CORPORATION LIMITED

7 NET ASSET VALUE PER SHARE

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2005</u>	<u>31 Dec 2004</u>	<u>30 Jun 2005</u>	<u>31 Dec 2004</u>
Net asset value per share based on existing issued share capital as at the respective period	34.14 cents	33.06 cents	26.78 cents	26.09 cents

8 REVIEW OF GROUP PERFORMANCE

(a) Turnover

6 months 2005 vs 6 months 2004

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>6 months ended 30 Jun 2005</u>	<u>6 months ended 30 Jun 2004</u>	<u>\$'000</u>	<u>%</u>
Fish	16,149	16,680	(531)	(3.2)
Accessories	12,294	14,224	(1,930)	(13.6)
Plastics	3,527	3,355	172	5.1
	<u>31,970</u>	<u>34,259</u>	<u>(2,289)</u>	

For the 6 months ended 30 June 2005, our ornamental fish and accessories activities continued to be our core activities, which together accounted for almost 90% of our total turnover. Our turnover decreased by \$2.3 million or 6.7% from \$34.3 million for the 6 months ended 30 June 2004 to \$32.0 million for the 6 months ended 30 June 2005.

On a geographical basis, turnover from Singapore has stabilised after it has been through a consolidation process. Turnover from overseas dipped by 7.8% in the 1st half of 2005 as compared to its corresponding period in 2004 mainly as a result of the reduction in sales contribution from our Malaysia market.

2Q 2005 vs 2Q 2004

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>2Q 2005</u>	<u>2Q 2004</u>	<u>\$'000</u>	<u>%</u>
Fish	7,807	9,509	(1,702)	(17.9)
Accessories	6,069	6,762	(693)	(10.2)
Plastics	1,766	1,739	27	1.6
	<u>15,642</u>	<u>18,010</u>	<u>(2,368)</u>	

Our turnover for ornamental fish and accessories decreased by \$1.7 million or 17.9% and \$0.7 million or 10.2% respectively in the 2nd quarter of 2005, whileas our plastics operations recorded a marginal increase in turnover in the current quarter as compared to its corresponding period in 2004.



QIAN HU CORPORATION LIMITED

8 REVIEW OF GROUP PERFORMANCE (cont'd)

(a) Turnover (cont'd)

2Q 2005 vs 2Q 2004 (cont'd)

Fish

Although the sales from our newly set up retail chain stores, which commenced operations mostly in the 2nd half of 2004, has contributed to the increase in our ornamental fish turnover in the current quarter, the overall reduction in ornamental fish turnover is due to lower turnover contributions from the sales of Dragon Fish as a result of the shortage in supply of Dragon Fish caused by drought during the early quarter, as well as lower sales of other ornamental fish recorded by our Malaysia fish division during this quarter.

Accessories

Despite the increase in turnover contributions from our newly set up retail chain stores, the lower demand from the Malaysia market which led to a reduction in our accessories sales in our Malaysia subsidiary, has resulted in a dip in accessories turnover in the 1st half of 2005 as compared to its corresponding period.

Plastics

The turnover from plastics activities remained consistent in the current quarter as compared to its corresponding period in 2005.

2Q 2005 vs 1Q 2005

	Group		Increase (Decrease)	
	2Q 2005 \$'000	1Q 2005 \$'000		
Fish	7,807	8,342	(535)	(6.4)
Accessories	6,069	6,225	(156)	(2.5)
Plastics	1,766	1,761	5	0.3
	15,642	16,328	(686)	

Our turnover for the 2nd quarter of 2005 was \$0.7 million or 4.2% lower than the 1st quarter of 2005 mainly due to the dip in both ornamental fish and accessories activities.

Fish

As the domestic ornamental fish sales have stabilised since the last quarter of 2004 after a period of market consolidation, the dip in ornamental fish turnover by \$0.5 million or 6.4% in the 2nd quarter of 2005 as compared to the previous quarter was mainly due to the reduction in the sales of Dragon Fish as a result of the shortage in its supply during the early quarter as mentioned earlier.

Accessories

With the stabilisation of the domestic market, the marginal reduction in accessories turnover in the current quarter by \$0.16 million or 2.5% as compared to the previous quarter was mainly as a result of the lower sales of accessories products in the Malaysia market due to market competitiveness.

Plastics

Our plastics turnover recorded flat growth in the current quarter as compared to that of the previous quarter.



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

(b) **Profitability**

6 months 2005 vs 6 months 2004

	<u>Group</u>		Increase (Decrease)	
	6 months ended 30 Jun			
	2005	2004	\$'000	%
Fish	1,500	2,999	(1,499)	(50.0)
Accessories	446	1,070	(624)	(58.3)
Plastics	162	150	12	8.0
Unallocated corporate expenses	(803)	(668)	(135)	(20.2)
	<u>1,305</u>	<u>3,551</u>	<u>(2,246)</u>	

Our operating profit decreased by \$2.2 million or 63.2% to \$1.3 million for the half year ended 30 June 2005 as compared to \$3.5 million for the half year ended 30 June 2004. Profit after taxation decreased by 56.0% from \$2.2 million for the 6 months ended 30 June 2004 to approximately \$1.0 million for the 6 months ended 30 June 2005. Our fish business was the main profit contributor in the 1st half of 2005.

2Q 2005 vs 2Q 2004

	<u>Group</u>		Increase (Decrease)	
	2Q			
	2005	2004	\$'000	%
Fish	485	2,014	(1,529)	(75.9)
Accessories	398	412	(14)	(3.4)
Plastics	90	46	44	95.7
Unallocated corporate expenses	(383)	(430)	47	10.9
	<u>590</u>	<u>2,042</u>	<u>(1,452)</u>	

Fish

The operating profit from our ornamental fish business dipped by \$1.5 million or 75.9% from \$2.0 million to \$0.5 million in the 2nd quarter of 2005 as compared to its corresponding period in 2004 as a result of the difference in sales mix, coupled with the lower sales of Dragon Fish (which yielded better margins) in the current quarter due to the shortage in supply of Dragon Fish caused by drought during the early quarter.

Accessories

The operational efficiency of our Guangzhou factory, which was affected as a result of relocation and continuous expansion in the 1st half of 2004, has been gradually restored since the beginning of 2005. The improved profitability from our accessories activities, however, was offset by the operating losses incurred by our retail chain stores, which commenced operations mostly in the 2nd half of 2004. The reduction in profitability from our accessories business was also in line with the lower accessories turnover recorded in the current quarter as compared to its corresponding period in 2004.



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

(b) Profitability (cont'd)

2Q 2005 vs 2Q 2004 (cont'd)

Plastics

Despite registering a flat growth in turnover, the operating profit from our plastics activities increased in the current quarter as compared to the corresponding period in 2004 due to better margin yield.

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

2Q 2005 vs 1Q 2005

	<u>Group</u>		<u>Increase</u>	
	<u>2Q</u>	<u>1Q</u>	<u>(Decrease)</u>	
	<u>2005</u>	<u>2005</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	485	1,015	(530)	(52.2)
Accessories	398	48	350	729.2
Plastics	90	72	18	25.0
Unallocated corporate expenses	(383)	(420)	37	8.8
	<u>590</u>	<u>715</u>	<u>(125)</u>	

Our overall operating profit in the 2nd quarter of 2005 was approximately \$0.1 million or 17.5% lower than that of the previous quarter. The better performance from both the accessories and plastics activities was offset by the reduction in profit generated from the ornamental fish business.

Fish

Operating profit from our ornamental fish business dipped in the 2nd quarter of 2005 as compared to the previous quarter mainly as a result of the lower sales of Dragon Fish (which yielded better margins) in the current quarter due to the shortage in its supply as mentioned earlier.

Accessories

Despite registering a slightly lower turnover, the increase in profitability from our accessories business by approximately \$0.4 million was mainly due to the operational efficiency achieved by our Guangzhou factory in the current quarter. The better profit contributions from our retail chain stores has also resulted in higher profits registered in the current quarter.

Plastics

Operating profit from our plastics business is experiencing slight growth in the 2nd quarter of 2005 as compared to the previous quarter as we managed to focus on selling more high value items with better yield.

9 VARIANCE FROM PROSPECT STATEMENT

Not applicable



QIAN HU CORPORATION LIMITED

10 PROSPECTS

Our Group's future growth depends on :

- increase in our export of ornamental fish;
- continuous growth of our breeding and sales of Dragon Fish;
- ability to expand our distribution capabilities from owning the business to owning the customers; and
- enhance efficiency and our ability in manufacturing accessories products.

Increase in our export of ornamental fish

Ornamental fish will continue to be an important core business activity of our Group. We are the only ornamental fish company in the world which is able to supply ornamental fish from 5 countries, namely Singapore, Malaysia, Indonesia, Thailand, and China. By exporting more fish to more customers and countries all over the world, while continuing to expand the domestic distribution network of ornamental fish in the 5 countries mentioned above, we believe that there will be a positive contribution to our ornamental fish turnover moving forward.

Continuous growth of our breeding and sales of Dragon Fish

China is a huge market for dragon fish, so is Taiwan and Japan. Based on the improved sales recorded in FY 2004, we envisage that our dragon fish sales will continue to increase in the coming years. Our collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish will also enable us to increase the production of Dragon Fish in our farms, and hence, enhance our Group's ability to meet the future growth in the demand of Dragon Fish.

Ability to expand our distribution capabilities from owning the business to owning the customers

We are in the process of professionalizing a highly fragmented ornamental fish and aquarium & pets accessories retail market by setting up our retail chain stores throughout the region under the name, "Qian Hu – The Pet Family", which provide better services, a wider product range in a visually-stimulating shopping environment, and thereby offering hobbyists and customers a different and more enjoyable shopping experience. This is similar to the evolution of the neighbourhood provision shops to supermarkets. Although this process needs continuous experimentation and a slightly longer gestation period to conclude results, it is extremely essential for our Group to undertake such initiative so as to enhance our market position.

Enhance efficiency and our ability in manufacturing accessories products

In order to capture a larger extend within the value chain as well as to build up our own brand of accessories products, our Group has increased the production capacity of our Guangzhou factory in 2004, which produces aquarium accessories products for our suppliers, our subsidiaries and our customers. With the increasing demand supported by our subsidiaries' distribution network in 5 countries and with more of our suppliers and new customers from other parts of the world seeking OEM arrangements, we are able to enhance our factory's production efficiency and hence, improve the turnover and profit contributions from our Guangzhou factory.

In view of the expansion process, the continuous experimentation and gestation period required for our retail chain stores to be profitable, we expect our Group to remain profitable in Year 2005 despite possible fluctuations in our operating profit from quarter to quarter.

11 DIVIDEND

No interim dividend for the period ended 30 June 2005 is recommended.



QIAN HU CORPORATION LIMITED

12 SEGMENT INFORMATION

(a) **Business segments**

Group	6 months ended 30 Jun 2005				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Turnover					
External sales	16,149	12,294	3,527	-	31,970
Inter-segment sales	3,780	3,126	85	(6,991)	-
Total sales	19,929	15,420	3,612	(6,991)	31,970
Results					
Segment results	1,560	466	164	(29)	2,161
Unallocated expenses					(618)
					1,543
Financial expenses - net					(238)
Taxation					(238)
Minority interests					(116)
Net profit for the period					951
Net profit margin	9.7%	3.8%	4.6%		3.0%
Assets and liabilities					
Assets	35,182	26,243	3,039	-	64,464
Unallocated assets					1,867
Total assets					66,331
Liabilities	7,286	2,897	1,193	-	11,376
Unallocated liabilities					11,186
Total liabilities					22,562
Other Information					
Capital expenditure	433	317	72	-	822
Depreciation and amortisation	543	447	191	-	1,181
Other non-cash expenses (income)	288	41	73	-	402



QIAN HU CORPORATION LIMITED

12 SEGMENT INFORMATION (cont'd)

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

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	<u>18,720</u>	<u>17,779</u>	<u>3,439</u>	<u>(5,679)</u>	<u>34,259</u>
Results					
Segment results	3,057	1,126	153	99	4,435
Unallocated expenses					(743)
					<u>3,692</u>
Financial expenses - net					(141)
Share of associates results					(66)
Taxation					(680)
Minority interests					(642)
Net profit for the period					<u>2,163</u>
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					<u>62,586</u>
Liabilities	5,535	5,034	1,188	-	11,757
Unallocated liabilities					7,193
Total liabilities					<u>18,950</u>
Other Information					
Capital expenditure	390	922	121	-	1,433
Depreciation and amortisation	538	354	130	-	1,022
Other non-cash expenses (income)	9	14	55	-	78



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	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	10,965	11,476	23,023	24,244	168	171
Other asian countries	15,665	17,838	43,308	38,342	654	1,262
Europe	3,582	3,246	-	-	-	-
Others	1,758	1,699	-	-	-	-
Total	31,970	34,259	66,331	62,586	822	1,433

13 BREAKDOWN OF SALES

Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
2Q 2005				
Singapore (including domestic sales & sales to Singapore)	1,682	1,657	1,710	5,049
Overseas (including export to & sales in overseas)	6,125	4,412	56	10,593
Total sales	7,807	6,069	1,766	15,642
2Q 2004				
Singapore	1,905	1,720	1,653	5,278
Overseas	7,604	5,042	86	12,732
Total sales	9,509	6,762	1,739	18,010
6 months ended 30 Jun 2005				
Singapore (including domestic sales & sales to Singapore)	3,992	3,508	3,465	10,965
Overseas (including export to & sales in overseas)	12,157	8,786	62	21,005
Total sales	16,149	12,294	3,527	31,970
6 months ended 30 Jun 2004				
Singapore	3,930	4,277	3,269	11,476
Overseas	12,750	9,947	86	22,783
Total sales	16,680	14,224	3,355	34,259

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
19/07/2005