



# QIAN HU CORPORATION LIMITED

## UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2004

### 1(a) STATEMENT OF PROFIT AND LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2004

	Note	Group		Change %
		3 months ended 31 Mar		
		2004 \$'000	2003 \$'000	
Turnover		16,249	15,942	1.9
Cost of sales		(10,643)	(10,085)	5.5
<b>Gross profit</b>		<b>5,606</b>	<b>5,857</b>	<b>(4.3)</b>
Other operating income		26	16	62.5
		<b>5,632</b>	<b>5,873</b>	<b>(4.1)</b>
Selling & distribution expenses		(475)	(496)	(4.2)
General & administration expenses		(3,581)	(3,637)	(1.5)
<b>Profit from operations</b>	i	<b>1,576</b>	<b>1,740</b>	<b>(9.4)</b>
Interest expenses		(67)	(41)	63.4
Interest income		-	1	(100.0)
		<b>1,509</b>	<b>1,700</b>	<b>(11.2)</b>
Share of associates results		-	-	-
<b>Profit before tax</b>		<b>1,509</b>	<b>1,700</b>	<b>(11.2)</b>
Taxation	ii	(234)	(375)	(37.6)
		<b>1,275</b>	<b>1,325</b>	<b>(3.8)</b>
Minority interest		(81)	(16)	NM
<b>Net profit attributable to Members of the Company</b>		<b>1,194</b>	<b>1,309</b>	<b>(8.8)</b>
Gross profit margin		34.5%	36.7%	
Net profit margin		7.3%	8.2%	



## QIAN HU CORPORATION LIMITED

### 1(a) STATEMENT OF PROFIT AND LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2004 (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>3 months ended 31 Mar</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Auditors' remuneration	21	19
Directors' remuneration		
- directors of the Company	129	125
- directors of subsidiaries	120	73
Amortisation of		
- land use rights	-	1
- trademarks/customer acquisition costs, product listing fees	12	11
- goodwill on consolidation	10	-
Bad trade receivables written off	1	-
Depreciation of		
- property, plant and equipment	432	337
- brooder stocks	37	7
Property, plant and equipment written off	-	4
(Gain) loss on disposal of		
- property, plant and equipment	-	12
- land use rights	-	(9)
Provision for doubtful trade receivables	4	62
Personnel expenses *	1,945	2,005
Exchange loss, net	24	4
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	(12)	-

\* Include directors' remuneration.

##### (ii) **Taxation**

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 now enjoys 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 period is 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 Award mentioned above;
- varying statutory tax rates of different countries in which the Group operates; and
- subsidiaries in the People's Republic of China is not subject to the Enterprise Income Tax for the current period.



## QIAN HU CORPORATION LIMITED

### 1(b)(i) BALANCE SHEETS

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar 2004</b>	<b>31 Dec 2003</b>	<b>31 Mar 2004</b>	<b>31 Dec 2003</b>
	\$	\$	\$	\$
<b>Share capital and reserves</b>				
Share capital	12,779,576	10,626,847	12,779,576	10,626,847
Reserves	24,810,234	25,924,237	19,688,132	20,840,909
	<b>37,589,810</b>	<b>36,551,084</b>	<b>32,467,708</b>	<b>31,467,756</b>
Minority interests	4,580,804	4,180,208	-	-
	<b>42,170,614</b>	<b>40,731,292</b>	<b>32,467,708</b>	<b>31,467,756</b>
<b>Property, plant and equipment</b>	13,085,684	12,897,075	4,010,780	4,173,300
<b>Brooder stocks</b>	7,194,203	7,337,702	1,335,443	1,342,740
<b>Investments in subsidiaries</b>	-	-	9,450,428	8,975,428
<b>Investments in associates</b>	65,269	66,444	28,722	28,722
<b>Quoted equity investments, at cost</b>	3,663	3,729	-	-
<b>Intangible assets</b>	842,726	861,109	72,135	78,695
<b>Land use rights</b>	-	89,814	-	-
<b>Current assets</b>				
Inventories	15,911,780	14,722,453	4,951,060	4,634,226
Breeder stocks	1,505,690	1,493,690	200,000	188,000
Trade receivables	12,780,687	13,120,593	6,762,487	6,886,499
Other receivables, deposits and prepayments	2,109,882	1,764,739	356,278	269,312
Due from				
- subsidiaries (trade)	-	-	11,325,776	9,572,643
- subsidiaries (non-trade)	-	-	1,497,305	1,532,154
- associates (trade)	661,661	662,105	617,168	636,625
Fixed deposits	101,594	101,594	23,046	23,046
Cash and bank balances	3,722,492	4,125,387	2,525,887	2,809,258
	<b>36,793,786</b>	<b>35,990,561</b>	<b>28,259,007</b>	<b>26,551,763</b>
<b>Current liabilities</b>				
Trade payables	4,947,202	4,347,183	3,343,164	2,644,882
Bills payable to banks	1,477,016	1,950,423	1,477,016	1,950,423
Other payables and accruals	2,832,797	3,179,832	2,325,262	2,118,227
Due to				
- subsidiaries (trade)	-	-	329,992	112,352
- subsidiaries (non-trade)	-	-	647,646	-
- minority shareholders of a subsidiary (non-trade)	2,103,413	2,539,592	665,215	1,064,079
Finance lease obligations	293,438	313,327	155,633	161,336
Bank term loans (unsecured)	346,599	449,404	-	-
Provision for taxation	1,210,381	1,077,331	1,145,480	995,480
Bank overdraft (unsecured)	-	102,613	-	-
	<b>13,210,846</b>	<b>13,959,705</b>	<b>10,089,408</b>	<b>9,046,779</b>
<b>Net current assets</b>	23,582,940	22,030,856	18,169,599	17,504,984
<b>Non-current liabilities</b>				
Finance lease obligations	(577,614)	(650,803)	(341,399)	(378,113)
Bank term loans (unsecured)	(980,686)	(932,834)	-	-
Deferred taxation	(1,045,571)	(971,800)	(258,000)	(258,000)
	<b>42,170,614</b>	<b>40,731,292</b>	<b>32,467,708</b>	<b>31,467,756</b>



## QIAN HU CORPORATION LIMITED

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

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2004</u>	<u>31 Dec 2003</u>	<u>31 Mar 2004</u>	<u>31 Dec 2003</u>
Inventory turnover (days)	129	125	59	53
Trade receivables turnover (days)	66	69	54	54
Debt equity ratio	0.42	0.45	0.33	0.31

### Notes to Balance Sheets

(1) The details of subsidiaries as at 31 March 2004 are as follows :

Name	<u>Effective equity interest held by the Group</u>		<u>Cost of investment by the Company</u>	
	<u>31 Mar 2004</u>	<u>31 Dec 2003</u>	<u>31 Mar 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	100	1,350,444	1,350,444
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
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>9,450,428</u>	<u>8,975,428</u>

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

# Cost of investment is net of provision for impairment in value of investment of \$400,000.



## QIAN HU CORPORATION LIMITED

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

(2) The details of associates as at 31 March 2004 are as follows :

Name	Effective equity interest held by the Group		Cost of investment by the Group	
	31 Mar 2004	31 Dec 2003	31 Mar 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	65,269	66,444
			93,991	95,166
Share of post-acquisition loss			(28,722)	(28,722)
			65,269	66,444

(3) Intangible assets comprise:

	Group		Company	
	31 Mar 2004	31 Dec 2003	31 Mar 2004	31 Dec 2003
	\$	\$	\$	\$
<b>At cost</b>				
- trademarks/customer acquisition costs	634,043	630,281	616,117	612,031
- product listing fees	40,440	40,440	40,440	40,440
- goodwill on consolidation	815,898	815,898	-	-
	1,490,381	1,486,619	656,557	652,471
Less accumulated amortisation	(647,655)	(625,510)	(584,422)	(573,776)
	842,726	861,109	72,135	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 purchases made in March 2004 for our retail stores in Shanghai, one of which has commenced operations in end March 2004.



## QIAN HU CORPORATION LIMITED

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

- (6) The decrease in cash and bank balances as at 31 March 2004 mainly arises from cash payment made for the acquisition of PT Qian Hu Aquarium & Pets Indonesia in January 2004 amounting to \$475K. (Please refer to the statement of cash flows on pages 7 and 8 for further details)
- (7) The decrease in bills payable was due to the Group's deliberate effort to retire bills payable to bank earlier than its tenure as and when surplus funds are available in order to reduce financing costs.

### 1(b)(ii) GROUP BORROWINGS

	As at 31 Mar 2004 \$	As at 31 Dec 2003 \$
<b>Amount repayable within one year</b>		
Secured	-	-
Unsecured	640,037	865,344
	<u>640,037</u>	<u>865,344</u>
<b>Amount repayable after one year</b>		
Secured	-	-
Unsecured	1,558,300	1,583,637
	<u>1,558,300</u>	<u>1,583,637</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

As at 31 March 2004, there were corporate guarantees given by the Company to banks for banking facilities extended to 2 subsidiaries amounting to \$2.1 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 THREE MONTHS ENDED 31 MARCH 2004

	<b>Group</b>	
	<b>3 months ended 31 Mar</b>	
	<b>2004</b>	<b>2003</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Profit before taxation and minority interest	1,509,258	1,700,078
Adjustments for:		
Bad trade receivables written off	1,457	-
Depreciation of		
- property, plant and equipment	432,244	337,336
- brooder stocks	37,394	7,298
Property, plant and equipment written off	-	4,294
(Gain) loss on disposal of		
- property, plant and equipment	-	11,753
- land use rights	-	(9,090)
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	(12,000)	-
Amortisation of		
- land use rights	320	501
- trademarks/customer acquisition costs and product listing fees	12,140	11,111
- goodwill on consolidation	10,199	-
Provision for doubtful trade receivables	3,996	62,055
Interest expense	67,103	41,031
Interest income	(79)	(890)
Net effect of exchange differences	(17,918)	6,390
<b>Operating profit before working capital changes</b>	<b>2,044,114</b>	<b>2,171,867</b>
(Increase) decrease in:		
Inventories	(1,286,012)	(376,906)
Trade receivables	176,235	55,672
Other receivables, deposits and prepayments	(368,504)	(229,637)
Due from associates (trade)	-	(46,352)
Increase (decrease) in:		
Trade payables	520,491	(719,016)
Bills payable to banks	(473,407)	392,714
Other payables and accruals	(47,829)	(618,237)
<b>Cash generated from operations</b>	<b>565,088</b>	<b>630,105</b>
Payment of income tax	(29,753)	(564,718)
Interest paid	(67,103)	(41,031)
<b>Net cash generated from operating activities</b>	<b>468,232</b>	<b>24,356</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(210,156)	(223,627)
Proceeds from disposal of		
- property, plant and equipment	304,455	238,916
- land use rights	87,335	127,200
Payment for trademarks/customer acquisition costs and product listing fees	(4,086)	(3,418)
Advance for investment	-	(500,000)
Acquisition of a subsidiary (Note i)	(475,000)	-
<b>Net cash used in investing activities</b>	<b>(297,452)</b>	<b>(360,929)</b>



## QIAN HU CORPORATION LIMITED

### 1(c) STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2004 (cont'd)

	<b>Group</b>	
	<b>3 months ended 31 Mar</b>	
	<b>2004</b>	<b>2003</b>
	\$	\$
<b>Cash flows from financing activities</b>		
Proceeds from issuance of new shares (net)	54,720	20,880
Repayment of		
- finance lease obligations	(86,839)	(82,072)
- bank term loans	(28,959)	-
- loan from minority shareholders of a subsidiary	(410,063)	-
Interest received	79	890
<b>Net cash used in financing activities</b>	<b>(471,062)</b>	<b>(60,302)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(300,282)</b>	<b>(396,875)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,124,368</b>	<b>7,820,687</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,824,086</b>	<b>7,423,812</b>
<b>Cash and cash equivalents comprise:</b>		
Fixed deposits	101,594	101,116
Cash and bank balances	3,722,492	7,322,696
<b>Cash and cash equivalents at end of period</b>	<b>3,824,086</b>	<b>7,423,812</b>

### Notes to Statement of Cash Flows

#### (i) **Acquisition of subsidiary**

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

	\$
Property, plant and equipment acquired	863,636
Less:	
Minority interest	(388,636)
<b>Net cash outflow from acquisition of subsidiary</b>	<b>475,000</b>

- (ii) The Group's **net cash generated from operating activities** improved on a quarter-to-quarter basis mainly due to a lower amount of tax paid in the 1st quarter of 2004 as compared to its corresponding period in 2003. The Group continues to re-invest funds into inventories for its overseas' operations expansion.

**Net cash used in investing activities** mainly relate to cash utilised for the acquisition of PT Qian Hu Aquarium & Pets Indonesia of \$475K in January 2004 as well as the capital expenditure incurred for infrastructure and farm facilities in both the Singapore and overseas entities.

**Net cash used in financing activities** was due to loan repayment made to minority shareholders of a subsidiary and the repayment of finance lease obligations on a monthly basis.





## QIAN HU CORPORATION LIMITED

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

<b>Group</b>	<b>Share capital</b> \$	<b>Share premium</b> \$	<b>Revenue reserve</b> \$	<b>Translation reserve</b> \$	<b>Total</b> \$
<b>Balance at 1 Jan 2003</b>	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
<b>Balance at 31 Mar 2003</b>	<b>10,305,770</b>	<b>4,727,164</b>	<b>14,086,118</b>	<b>78,575</b>	<b>29,197,627</b>
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
<b>Balance at 30 Jun 2003</b>	<b>10,308,970</b>	<b>4,731,644</b>	<b>15,063,391</b>	<b>65,633</b>	<b>30,169,638</b>
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
<b>Balance at 30 Sep 2003</b>	<b>10,605,547</b>	<b>7,251,965</b>	<b>17,133,824</b>	<b>(10,507)</b>	<b>34,980,829</b>
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
<b>Balance at 31 Dec 2003</b>	<b>10,626,847</b>	<b>7,281,785</b>	<b>18,828,755</b>	<b>(186,303)</b>	<b>36,551,084</b>
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
<b>Balance at 31 Mar 2004</b>	<b>12,779,576</b>	<b>5,183,776</b>	<b>20,022,341</b>	<b>(395,883)</b>	<b>37,589,810</b>



## QIAN HU CORPORATION LIMITED

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

Company	Share capital \$	Share premium \$	Revenue reserve \$	Total \$
<b>Balance at 1 Jan 2003</b>	10,297,070	4,714,984	9,810,202	24,822,256
Net profit for the period	-	-	848,909	848,909
Issue of new shares	8,700	12,180	-	20,880
<b>Balance at 31 Mar 2003</b>	10,305,770	4,727,164	10,659,111	25,692,045
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
<b>Balance at 30 Jun 2003</b>	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
<b>Balance at 30 Sep 2003</b>	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
<b>Balance at 31 Dec 2003</b>	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
<b>Balance at 31 Mar 2004</b>	12,779,576	5,183,776	14,504,356	32,467,708

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

	Number of shares	\$
<b>Share capital</b>		
<b>- ordinary shares of \$0.10 each</b>		
<b>Issued and fully paid</b>		
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
Balance as at 31 Mar 2004	127,795,756	12,779,576

During the 1st quarter 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 31 March 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 31 March 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.

### 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>3 months ended 31 Mar</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	0.93 cents	1.05 cents
- on a fully diluted basis	0.93 cents	1.05 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 127,715,734 (31/3/2003: 124,295,387).

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 128,041,226 (31/3/2003: 124,928,679).



## QIAN HU CORPORATION LIMITED

### 7 NET ASSET VALUE PER SHARE

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2004</u>	<u>31 Dec 2003</u>	<u>31 Mar 2004</u>	<u>31 Dec 2003</u>
Net asset value per share based on existing issued share capital as at the respective period	<u>33.00 cents</u>	<u>38.33 cents</u>	<u>25.41 cents</u>	<u>29.61 cents</u>

The number of ordinary shares of the Company has increased from 106,268,469 as at 31 December 2003 to 127,795,756 as at 31 March 2004 following the issue of new shares pursuant to the Company's Employees' Share Option Scheme and the bonus issue on the basis of 1 bonus share for every 5 existing ordinary shares held. (Please refer to 1(d)(ii) for details)

### 8 REVIEW OF GROUP PERFORMANCE

#### (a) **Turnover**

#### 1Q 2004 vs 1Q 2003

	<u>Group</u>		<u>Increase (Decrease)</u>	
	<u>1Q 2004</u>	<u>1Q 2003</u>	<u>\$'000</u>	<u>%</u>
Fish	7,171	6,307	864	13.7
Accessories	7,462	8,004	(542)	(6.8)
Plastics	1,616	1,631	(15)	(0.9)
	<u>16,249</u>	<u>15,942</u>	<u>307</u>	

Although the turnover from the ornamental fish activities increased by \$0.8 million or 13.7% in the 1st quarter of 2004, the reduction of \$0.5 million or 6.8% registered by the accessories activities has led to only a marginal increase in total turnover of \$0.3 million or 1.9% in the current quarter as compared to its corresponding period in 2003.

Our continuous effort to increase the export of ornamental fish to more countries around the world from Singapore, Thailand and China has increased the sales of ornamental fish on a quarter-to-quarter basis. In addition, sales from one of our subsidiaries in Malaysia, Kim Kang Aquaculture Sdn Bhd, a dragon fish farm acquired in the second half of 2003, has constituted to the increase in our ornamental fish turnover in the 1st quarter of 2004. The above increase is partially offset by the reduction in domestic demand for ornamental fish as the local market is in the process of consolidation since the second half of 2003.

The lower demand from the domestic market has also resulted in a reduction in our accessories sales locally, hence, the dip in accessories turnover in the 1st quarter of 2004 as compared to its corresponding period.

Our plastics turnover recorded a flat growth in the 1st quarter of 2004 as compared to its corresponding period due to local market competitiveness.



## QIAN HU CORPORATION LIMITED

### 8 REVIEW OF GROUP PERFORMANCE (cont'd)

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

##### 1Q 2004 vs 1Q 2003 (cont'd)

On a geographical basis, turnover from Singapore dipped by 21.7% 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 25.2% this quarter 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.

##### 1Q 2004 vs 4Q 2003

	<u>Group</u>		<u>Increase</u>	
	<u>1Q</u>	<u>4Q</u>	<u>(Decrease)</u>	
	<u>2004</u>	<u>2003</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	7,171	6,790	381	5.6
Accessories	7,462	8,230	(768)	(9.3)
Plastics	1,616	1,656	(40)	(2.4)
	<u>16,249</u>	<u>16,676</u>	<u>(427)</u>	

Our Group's turnover in the 1st quarter of the year is usually lower due to the Chinese New Year holidays which most of the entities in the Group (both local and overseas) are closed for business for 4 to 7 days.

Despite the increase in ornamental fish sales in the current quarter by \$0.4 million or 5.6%, the decrease in accessories turnover by \$0.8 million or 9.3% has led in a reduction in our overall turnover by \$0.4 million or 2.6% as compared to the previous quarter.

The continuous growth trend into the current quarter from our Dragon Fish sales has improved the ornamental fish turnover in the 1st quarter of 2004 as compared to the previous quarter.

The reduction in accessories turnover in the 1st quarter of 2004 as compared to 4th quarter of 2003 was mainly due to lower demand for accessories products in the local market. In addition, the relocation of our Guangzhou manufacturing base to a new factory site took place gradually from January to early March this year has caused certain disruptions in its production progress during these two months and, hence affected the supply of accessories goods for sales this quarter.

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



## QIAN HU CORPORATION LIMITED

### 8 REVIEW OF GROUP PERFORMANCE (cont'd)

#### (b) Profitability

##### 1Q 2004 vs 1Q 2003

	Group		Increase (Decrease)	
	1Q 2004 \$'000	1Q 2003 \$'000	\$'000	%
Fish	985	617	368	59.6
Accessories	658	1,411	(753)	(53.4)
Plastics	104	60	44	73.3
Unallocated corporate expenses	(238)	(388)	150	38.7
	<u>1,509</u>	<u>1,700</u>	<u>(191)</u>	

Our operating profit decreased by \$0.2 million or 11.2% to \$1.5 million for the quarter ended 31 March 2004 as compared to \$1.7 million for the quarter ended 31 March 2003. Profit after taxation decreased by 8.8% from \$1.3 million for the 3 months ended 31 March 2003 to approximately \$1.2 million for the 3 months ended 31 March 2004.

The increase in operating profit from our ornamental fish activities by 59.6% from \$0.6 million to \$1 million during this current quarter is in line with the higher sales recorded and better margins yielded from the sales of our own-bred Dragon Fish (produced from our farm in Malaysia acquired in July 2003) as compared to its corresponding period in 2003.

However, our operating profit from the accessories business dipped in the 1st quarter of 2004 by \$0.75 million or 53.4% as a result of lower turnover recorded locally coupled with a 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 improved in the current quarter as compared to its corresponding period in 2003 as conscientious effort were made to contain our operating costs by scaling down the plastics operations in China.

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 lower in the current quarter due to certain non-recurring expenses incurred in the 1st quarter of 2003.



## QIAN HU CORPORATION LIMITED

### 8 REVIEW OF GROUP PERFORMANCE (cont'd)

#### (b) **Profitability (cont'd)**

##### 1Q 2004 vs 4Q 2003

	<u>Group</u>		<b>Increase (Decrease)</b>	
	<b>1Q 2004</b>	<b>4Q 2003</b>		
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Fish	985	1,905	(920)	(48.3)
Accessories	658	1,218	(560)	(46.0)
Plastics	104	31	73	235.5
Unallocated corporate expenses	(238)	(295)	57	19.3
	<u>1,509</u>	<u>2,859</u>	<u>(1,350)</u>	

The significant reduction in the operating profit from our ornamental fish business in the 1st quarter of 2004 was due to a gain arising from the valuation placed on our breeder stocks (off-springs of existing brooder stocks) held as at 31 December 2003 amounting to \$1 million in the previous quarter, in compliance with Singapore Financial Reporting Standards ("FRS") 41, Agriculture. The gain arising from such valuation of our breeder stocks held as at 31 March 2004 was only \$12,000. Without the valuation gain of breeder stocks, operating profit derived from our ornamental fish activities remained relatively stable for both periods.

The reduction in profitability from our accessories business is in accordance with the lower turnover recorded during the current quarter. Our Guangzhou manufacturing base incurred losses in the first two months of 2004 due to production inefficiency and down-time resulted from the relocation of its factory to a new site.

Compared to the previous quarter, the operating profit from our plastics activities has improved in the 1st quarter of 2004 as a result of the scaling down of our China plastics operations in early 2004, thus containing its operating costs.

### 9 VARIANCE FROM PROSPECT STATEMENT

Not applicable

### 10 PROSPECTS

Our Group's future growth continues to depend 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.

Since our FY 2003 full-year results announcement, we have increased our equity stake in one of our China subsidiaries, Guangzhou Wan Jiang, to 80% on 1 April 2004. The other factors, which we have previously announced together with our last year's results release, are expected to continue to apply in the next quarter. We will announce any material developments that may have an impact on our Group's performance as and when they arise.

In view of our expansion plans, particularly the launch of "Qian Hu - The Pet Family", our retail chain store concept, throughout Asia, we expect to incur higher 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 to increase for the full year 2004.



## QIAN HU CORPORATION LIMITED

### 11 DIVIDEND

No interim dividend for the period ended 31 March 2004 is recommended.

### 12 SEGMENT INFORMATION

#### (a) **Business segments**

Group	3 months ended 31 Mar 2004				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
<b>Turnover</b>					
External sales	7,171	7,462	1,616	-	16,249
Inter-segment sales	970	2,086	48	(3,104)	-
<b>Total sales</b>	<b>8,141</b>	<b>9,548</b>	<b>1,664</b>	<b>(3,104)</b>	<b>16,249</b>
<b>Results</b>					
Segment results	1,015	689	105	26	1,835
Unallocated expenses					(259)
					1,576
Financial expenses - net					(67)
Share of profit of associates					-
Taxation					(234)
Minority interests					(81)
<b>Net profit for the period</b>					<b>1,194</b>
<b>Net profit margin</b>	<b>14.2%</b>	<b>9.2%</b>	<b>6.5%</b>		<b>7.3%</b>
<b>Assets and liabilities</b>					
Assets	28,704	24,523	3,696	-	56,923
Investments in associates					65
Unallocated assets					997
<b>Total assets</b>					<b>57,985</b>
Liabilities	5,726	4,290	914	-	10,930
Unallocated liabilities					4,885
<b>Total liabilities</b>					<b>15,815</b>
<b>Other Information</b>					
Capital expenditure	72	133	5	-	210
Depreciation and amortisation	254	177	61	-	492
Other non-cash expenses (income)	(11)	4	-	-	(7)





## QIAN HU CORPORATION LIMITED

### 12 SEGMENT INFORMATION (cont'd)

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

Group	3 months ended 31 Mar 2003				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
<b>Turnover</b>					
External sales	6,307	8,004	1,631	-	15,942
Inter-segment sales	570	3,815	285	(4,670)	-
Total sales	<u>6,877</u>	<u>11,819</u>	<u>1,916</u>	<u>(4,670)</u>	<u>15,942</u>
<b>Results</b>					
Segment results	622	1,445	61	(26)	2,102
Unallocated expenses					(362)
					<u>1,740</u>
Financial expenses - net					(40)
Share of profit of associates					-
Taxation					(375)
Minority interests					(16)
<b>Net profit for the period</b>					<u>1,309</u>
<b>Net profit margin</b>	<b>9.9%</b>	<b>18.1%</b>	<b>3.7%</b>		<b>8.2%</b>
<b>Assets and liabilities</b>					
Assets	13,256	22,960	4,637	-	40,853
Unallocated assets					3,003
<b>Total assets</b>					<u>43,856</u>
Liabilities	4,052	7,101	971	-	12,124
Unallocated liabilities					2,170
<b>Total liabilities</b>					<u>14,294</u>
<b>Other Information</b>					
Capital expenditure	138	67	19	-	224
Depreciation and amortisation	157	123	76	-	356
Other non-cash expenses (income)	60	(10)	19	-	69



## QIAN HU CORPORATION LIMITED

### 12 SEGMENT INFORMATION (cont'd)

#### (b) Geographical segments

Group	Turnover		Assets		Capital expenditure	
	3 months ended 31 Mar		3 months ended 31 Mar		3 months ended 31 Mar	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	6,198	7,911	24,080	27,913	20	166
Other asian countries	7,882	6,313	33,905	15,943	190	58
Europe	1,595	1,233	-	-	-	-
Others	574	485	-	-	-	-
<b>Total</b>	<b>16,249</b>	<b>15,942</b>	<b>57,985</b>	<b>43,856</b>	<b>210</b>	<b>224</b>

### 13 BREAKDOWN OF SALES

Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
<b>3 months ended 31 Mar 2004</b>				
Singapore (including domestic sales & sales to Singapore)	2,025	2,557	1,616	6,198
Overseas (including export to & sales in overseas)	5,146	4,905	-	10,051
<b>Total sales</b>	<b>7,171</b>	<b>7,462</b>	<b>1,616</b>	<b>16,249</b>
<b>3 months ended 31 Mar 2003</b>				
Singapore	3,062	3,222	1,627	7,911
Overseas	3,245	4,782	4	8,031
<b>Total sales</b>	<b>6,307</b>	<b>8,004</b>	<b>1,631</b>	<b>15,942</b>

#### BY ORDER OF THE BOARD

Kenny Yap Kim Lee  
Executive Chairman and Managing Director  
19/04/2004