



## QIAN HU CORPORATION LIMITED

### UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

#### 1(a) STATEMENT OF PROFIT AND LOSS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2004

	Note	Group			Group		
		3 months ended 30 Sep		Change %	9 months ended 30 Sep		Change %
	2004	2003	2004		2003		
		\$'000	\$'000	\$'000	\$'000		
Turnover		15,709	17,799	(11.7)	49,968	51,004	(2.0)
Cost of sales		(11,202)	(11,208)	(0.1)	(32,747)	(32,235)	1.6
<b>Gross profit</b>		<b>4,507</b>	<b>6,591</b>	<b>(31.6)</b>	<b>17,221</b>	<b>18,769</b>	<b>(8.2)</b>
Other operating income		24	15	60.0	100	75	33.3
		<b>4,531</b>	<b>6,606</b>	<b>(31.4)</b>	<b>17,321</b>	<b>18,844</b>	<b>(8.1)</b>
Selling & distribution expenses	i	(702)	(435)	61.4	(1,841)	(1,265)	45.5
General & administration expenses	ii	(4,490)	(3,584)	25.3	(12,449)	(10,703)	16.3
<b>(Loss) Profit from operations</b>	iii	<b>(661)</b>	<b>2,587</b>	<b>(125.6)</b>	<b>3,031</b>	<b>6,876</b>	<b>(55.9)</b>
Interest expenses	iv	(77)	(82)	(6.1)	(221)	(183)	20.8
Interest income		-	1	(100.0)	3	2	50.0
		<b>(738)</b>	<b>2,506</b>	<b>(129.4)</b>	<b>2,813</b>	<b>6,695</b>	<b>(58.0)</b>
Share of associates results		-	-	-	(66)	-	NM
<b>(Loss) Profit before taxation</b>		<b>(738)</b>	<b>2,506</b>	<b>(129.4)</b>	<b>2,747</b>	<b>6,695</b>	<b>(59.0)</b>
Taxation	v	(101)	(160)	(36.9)	(781)	(1,030)	(24.2)
		<b>(839)</b>	<b>2,346</b>	<b>(135.8)</b>	<b>1,966</b>	<b>5,665</b>	<b>(65.3)</b>
Minority interests		157	(276)	156.9	(485)	(344)	41.0
<b>Net (loss) profit attributable to Members of the Company</b>		<b>(682)</b>	<b>2,070</b>	<b>(132.9)</b>	<b>1,481</b>	<b>5,321</b>	<b>(72.2)</b>
Gross profit margin		28.7%	37.0%		34.5%	36.8%	
Net profit margin		-4.3%	11.6%		3.0%	10.4%	

NM: Not Meaningful

#### Notes to Statement of Profit and Loss

##### (i) **Selling & distribution expenses**

The increase in selling and distribution expenses in the 3rd quarter and the 9 months ended 30 September 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 current year 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, also contributed to the increase in general and administration expenses as compared to its corresponding period in 2003.



## QIAN HU CORPORATION LIMITED

### 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 Sep	2003	9 months ended 30 Sep	2003
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration	21	26	62	61
Directors' remuneration				
- directors of the Company	114	125	368	382
- directors of subsidiaries	151	119	440	268
Amortisation of				
- land use rights	-	-	-	1
- trademarks/customer acquisition costs, product listing fees	12	10	36	32
- goodwill on consolidation	10	-	31	-
Bad trade receivables written off	12	-	13	-
Depreciation of				
- property, plant and equipment	528	474	1,430	1,179
- brooder stocks	37	38	112	53
Property, plant and equipment written off	-	-	-	4
(Gain) loss on disposal of				
- property, plant and equipment	-	(6)	(1)	(12)
- land use rights	-	-	-	(9)
- a subsidiary	-	-	55	-
Provision for doubtful trade receivables	133	67	217	230
Personnel expenses *	2,508	1,871	6,574	5,932
Exchange loss (gain), net	(56)	(26)	120	(72)
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	-	(450)	(62)	(450)

\* Include directors' remuneration.

#### (iv) Interest expenses

The increase in interest expenses was mainly due to interest incurred on additional bank borrowings during the period.

#### (v) Taxation

The tax charge for 9 months ended 30 September 2004 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

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2004</b>	<b>31 Dec 2003</b>	<b>30 Sep 2004</b>	<b>31 Dec 2003</b>
	\$	\$	\$	\$
<b>Share capital and reserves</b>				
Share capital	12,821,124	10,626,847	12,821,124	10,626,847
Reserves	24,948,028	25,924,237	20,106,203	20,840,909
	<b>37,769,152</b>	<b>36,551,084</b>	<b>32,927,327</b>	<b>31,467,756</b>
Minority interests	4,767,479	4,180,208	-	-
	<b>42,536,631</b>	<b>40,731,292</b>	<b>32,927,327</b>	<b>31,467,756</b>
<b>Property, plant and equipment</b>				
Brooder stocks	14,062,893	12,897,075	3,731,357	4,173,300
Investments in subsidiaries	7,145,534	7,337,702	1,320,847	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	3,680	3,729	-	-
Land use rights	852,026	861,109	52,891	78,695
	-	89,814	-	-
<b>Current assets</b>				
Inventories	19,927,967	14,722,453	5,273,714	4,634,226
Breeder stocks	1,555,690	1,493,690	250,000	188,000
Trade receivables	13,841,514	13,120,593	6,205,723	6,886,499
Other receivables, deposits and prepayments	2,152,663	1,764,739	296,690	269,312
Due from				
- subsidiaries (trade)	-	-	14,723,085	9,572,643
- subsidiaries (non-trade)	-	-	2,716,289	1,532,154
- associates (trade)	792,629	662,105	643,628	636,625
Fixed deposits	23,046	101,594	23,046	23,046
Cash and bank balances	2,988,706	4,125,387	1,697,396	2,809,258
	<b>41,282,215</b>	<b>35,990,561</b>	<b>31,829,571</b>	<b>26,551,763</b>
<b>Current liabilities</b>				
Trade payables	6,001,061	4,347,183	2,163,534	2,644,882
Bills payable to banks	1,037,850	1,950,423	1,037,850	1,950,423
Other payables and accruals	2,401,158	3,179,832	1,857,787	2,118,227
Due to				
- subsidiaries (trade)	-	-	177,958	112,352
- minority shareholders of subsidiaries (non-trade)	1,763,986	2,539,592	266,353	1,064,079
Finance lease obligations	323,100	313,327	148,058	161,336
Bank term loans (unsecured)	5,911,233	449,404	5,799,613	-
Provision for taxation	819,929	1,077,331	402,728	995,480
Bank overdraft (unsecured)	84,570	102,613	-	-
	<b>18,342,887</b>	<b>13,959,705</b>	<b>11,853,881</b>	<b>9,046,779</b>
<b>Net current assets</b>	<b>22,939,328</b>	<b>22,030,856</b>	<b>19,975,690</b>	<b>17,504,984</b>
<b>Non-current liabilities</b>				
Finance lease obligations	(494,108)	(650,803)	(267,969)	(378,113)
Bank term loans (unsecured)	(925,495)	(932,834)	-	-
Deferred taxation	(1,047,227)	(971,800)	(258,000)	(258,000)
	<b>42,536,631</b>	<b>40,731,292</b>	<b>32,927,327</b>	<b>31,467,756</b>



## QIAN HU CORPORATION LIMITED

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

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2004</u>	<u>31 Dec 2003</u>	<u>30 Sep 2004</u>	<u>31 Dec 2003</u>
Inventory turnover (days)	155	125	67	53
Trade receivables turnover (days)	73	69	59	54
Debt equity ratio	0.55	0.45	0.38	0.31

### Notes to Balance Sheets

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

Name	<u>Effective equity interest held by the Group</u>		<u>Cost of investment by the Company</u>	
	<u>30 Sep 2004</u>	<u>31 Dec 2003</u>	<u>30 Sep 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 January 2004.

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



## QIAN HU CORPORATION LIMITED

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

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

Name	Effective equity interest held by the Group		Cost of investment by the Group	
	30 Sep 2004	31 Dec 2003	30 Sep 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 Sep 2004	31 Dec 2003	30 Sep 2004	31 Dec 2003
	\$	\$	\$	\$
<b>At cost</b>				
- trademarks/customer acquisition costs	636,840	630,281	618,687	612,031
- product listing fees	40,440	40,440	40,440	40,440
- goodwill on consolidation	866,762	815,898	-	-
	1,544,042	1,486,619	659,127	652,471
Less accumulated amortisation	(692,016)	(625,510)	(606,236)	(573,776)
	852,026	861,109	52,891	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 efficiency of the Guangzhou factory has not been fully reinstated, resulting in the temporary piling up of raw materials.



## QIAN HU CORPORATION LIMITED

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

- (6) The increase in bank term loans balances as at 30 September 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**

	<b>As at 30 Sep 2004 \$</b>	<b>As at 31 Dec 2003 \$</b>
<b>Amount repayable within one year</b>		
Secured	-	-
Unsecured	<u>6,318,903</u>	<u>865,344</u>
	<u>6,318,903</u>	<u>865,344</u>
<b>Amount repayable after one year</b>		
Secured	-	-
Unsecured	<u>1,419,603</u>	<u>1,583,637</u>
	<u>1,419,603</u>	<u>1,583,637</u>

Included in unsecured bank term loans are :

- Short term revolving bank loans amounting to \$5,795,000 (31/12/2003: \$245,000) which bears interest ranging from 3.17% to 3.97% (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 September 2004, there were corporate guarantees given by the Company to banks for banking facilities extended to subsidiaries amounting to \$4.1 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 THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2004

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Sep 2004</b>	<b>2003</b>	<b>9 months ended 30 Sep 2004</b>	<b>2003</b>
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
(Loss) Profit before taxation and minority interests	(737,381)	2,505,330	2,747,003	6,694,526
Adjustments for:				
Bad trade receivables written off	11,890	-	13,330	-
Depreciation of				
- property, plant and equipment	528,382	473,649	1,429,864	1,178,669
- brooder stocks	36,581	38,478	112,588	53,073
Property, plant and equipment written off	-	87	-	4,381
(Gain) loss on disposal of				
- property, plant and equipment	-	(6,038)	(530)	(11,882)
- land use rights	-	-	-	(9,090)
- a subsidiary	-	-	55,221	-
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	-	(450,000)	(62,000)	(450,000)
Amortisation of				
- land use rights	-	486	328	1,488
- trademarks/customer acquisition costs and product listing fees	11,748	9,558	35,909	31,973
- goodwill on consolidation	10,199	-	30,597	-
Provision for doubtful trade receivables	133,093	66,840	217,047	229,550
Share of associates results	-	-	66,444	-
Interest expense	76,820	81,506	220,814	182,806
Interest income	-	(111)	(2,916)	(1,724)
Net effect of exchange differences	1,607	128,970	16,742	71,486
<b>Operating profit before working capital changes</b>	<b>72,939</b>	<b>2,848,755</b>	<b>4,880,441</b>	<b>7,975,256</b>
(Increase) decrease in:				
Inventories	(1,849,001)	(405,381)	(5,281,761)	(989,621)
Trade receivables	211,361	(570,549)	(488,403)	(1,301,022)
Other receivables, deposits and prepayments	(730,211)	70,799	(998,585)	(239,999)
Due from associates (trade)	(86,423)	(12,829)	(130,862)	(153,730)
Increase (decrease) in:				
Trade payables	639,729	184,595	1,583,542	(872,749)
Bills payable to banks	(653,827)	(961,940)	(912,573)	(1,530,645)
Other payables and accruals	128,974	(133,386)	(769,209)	(785,354)
<b>Cash (used in) generated from operations</b>	<b>(2,266,459)</b>	<b>1,020,064</b>	<b>(2,117,410)</b>	<b>2,102,136</b>
Payment of income tax	(382,356)	(678,428)	(967,327)	(1,701,582)
Interest paid	(76,048)	(81,506)	(209,561)	(182,806)
<b>Net cash (used in) generated from operating activities</b>	<b>(2,724,863)</b>	<b>260,130</b>	<b>(3,294,298)</b>	<b>217,748</b>



## QIAN HU CORPORATION LIMITED

1(c) **STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2004 (cont'd)**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended 30 Sep</b>	<b>2003</b>	<b>9 months ended 30 Sep</b>	<b>2003</b>
	\$	\$	\$	\$
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(781,655)	(337,165)	(2,139,247)	(1,002,255)
Proceeds from disposal of				
- property, plant and equipment	-	56,270	312,483	313,553
- land use rights	-	-	89,487	127,200
Payment for trademarks/customer acquisition costs and product listing fees	-	(6,342)	(6,656)	(10,683)
Investment in an associate	-	(44,620)	-	(44,620)
Acquisition of subsidiaries (Note i)	-	(2,211,138)	(718,805)	(2,711,138)
Disposal of a subsidiary (Note ii)	175,557	-	152,279	-
<b>Net cash used in investing activities</b>	<b>(606,098)</b>	<b>(2,542,995)</b>	<b>(2,310,459)</b>	<b>(3,327,943)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of new shares (net)	-	10,080	54,720	38,640
Drawdown of				
- bank term loans	2,300,000	1,184,168	5,795,000	1,430,088
- loans from minority shareholders of subsidiaries	-	-	191,723	-
Repayment of				
- finance lease obligations	(74,583)	(152,544)	(253,108)	(359,224)
- bank term loans	(24,410)	(18,302)	(325,337)	(18,302)
- loans from minority shareholders of subsidiaries	(120,510)	(1,062,928)	(547,160)	(1,062,928)
Payment of dividends to shareholders	-	-	(511,183)	(964,620)
Interest received	-	111	2,916	1,724
<b>Net cash generated from (used in) financing activities</b>	<b>2,080,497</b>	<b>(39,415)</b>	<b>4,407,571</b>	<b>(934,622)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,250,464)</b>	<b>(2,322,280)</b>	<b>(1,197,186)</b>	<b>(4,044,817)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,177,646</b>	<b>6,098,150</b>	<b>4,124,368</b>	<b>7,820,687</b>
<b>Cash and cash equivalents at end of period (Note iii)</b>	<b>2,927,182</b>	<b>3,775,870</b>	<b>2,927,182</b>	<b>3,775,870</b>





## 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><u>718,805</u></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	(400,000)
Net cash inflow from disposal of a subsidiary	<u><u>152,279</u></u>



## QIAN HU CORPORATION LIMITED

### Notes to Statement of Cash Flows (cont'd)

(iii) Cash and cash equivalents comprise:

	<b>Group</b>	
	<b>30 Sep 2004</b>	<b>30 Sep 2003</b>
	\$	\$
Fixed deposits	23,046	101,116
Cash and bank balances	2,988,706	3,787,573
Bank overdraft	(84,570)	(112,819)
	<u>2,927,182</u>	<u>3,775,870</u>

(iv) The Group's **cash flow from operating activities** deteriorated for the 9 months ended 30 September 2004 as well as on a quarter-to-quarter basis mainly due to reinvestment of funds into inventory purchases for our various overseas retail chain stores expansion which has commenced operations in end March 2004.

**Net cash used in investing activities** mainly relate to:

- payment made for the acquisition of PT Qian Hu Aquarium & Pets Indonesia of \$475K 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** was mainly from the cash proceeds received from the drawdown of bank loans granted by the financial institutions to finance our Guangzhou factory expansion and the setting 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

<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 Jul 2003</b>	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
<b>Balance at 30 Sep 2003</b>	<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
<b>Balance at 31 Dec 2003</b>	<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
<b>Balance at 31 Mar 2004</b>	<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
<b>Balance at 30 Jun 2004</b>	<u>12,821,124</u>	<u>5,541,092</u>	<u>20,480,684</u>	<u>(210,628)</u>	<u>38,632,272</u>
Currency translation differences	-	-	-	(180,846)	(180,846)
Net profit for the period	-	-	(682,274)	-	(682,274)
<b>Balance at 30 Sep 2004</b>	<u>12,821,124</u>	<u>5,541,092</u>	<u>19,798,410</u>	<u>(391,474)</u>	<u>37,769,152</u>



## 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 Jul 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
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
<b>Balance at 30 Jun 2004</b>	12,821,124	5,541,092	14,328,356	32,690,572
Net profit for the period	-	-	236,755	236,755
<b>Balance at 30 Sep 2003</b>	12,821,124	5,541,092	14,565,111	32,927,327

### 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
- Consideration for acquisition of a subsidiary	415,482	41,548
Balance as at 30 Sep 2004	128,211,238	12,821,124

During the first 9 months 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 September 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 September 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 Sep</u>		<u>9 months ended 30 Sep</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	(0.53) cents	1.65 cents	1.16 cents	4.25 cents
- on a fully diluted basis	(0.53) cents	1.65 cents	1.16 cents	4.23 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 127,951,434 (30/9/2003: 125,172,386).

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 128,022,433 (30/9/2003: 125,809,836).



## QIAN HU CORPORATION LIMITED

### 7 NET ASSET VALUE PER SHARE

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2004</u>	<u>31 Dec 2003</u>	<u>30 Sep 2004</u>	<u>31 Dec 2003</u>
Net asset value per share based on existing issued share capital as at the respective period	<u>33.18 cents</u>	<u>38.33 cents</u>	<u>25.68 cents</u>	<u>29.61 cents</u>

### 8 REVIEW OF GROUP PERFORMANCE

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

#### 9 months 2004 vs 9 months 2003

	<u>Group</u>		<u>Increase</u>	
	<u>9 months ended 30 Sep 2004</u>	<u>9 months ended 30 Sep 2003</u>	<u>(Decrease)</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Fish	23,820	20,676	3,144	15.2
Accessories	20,928	25,416	(4,488)	(17.7)
Plastics	5,220	4,912	308	6.3
	<u>49,968</u>	<u>51,004</u>	<u>(1,036)</u>	

For the 9 months ended 30 September 2004, our ornamental fish and accessories activities continued to be our core activities, which together accounted for 90% of our total turnover. Our turnover decreased by \$1 million or 2% from \$51 million for the 9 months ended 30 September 2003 to \$50 million for the 9 months ended 30 September 2004.

On a geographical basis, turnover from Singapore dipped by 21.8% 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 14.2% in the first 9 months 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)

##### 3Q 2004 vs 3Q 2003

	<u>Group</u>		<u>Increase</u>	
	<u>3Q</u>	<u>3Q</u>	<u>(Decrease)</u>	
	<u>2004</u>	<u>2003</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	7,140	7,602	(462)	(6.1)
Accessories	6,704	8,541	(1,837)	(21.5)
Plastics	1,865	1,656	209	12.6
	<u>15,709</u>	<u>17,799</u>	<u>(2,090)</u>	

Our turnover for ornamental fish and accessories decreased by \$0.5 million or 6.1% and \$1.8 million or 21.5% respectively in the 3rd quarter of 2004, whileas our plastics operations recorded a marginal increase in turnover of \$0.2 million or 12.6% in the current quarter as compared to its corresponding period in 2003.

#### Fish

The reduction in ornamental fish turnover is mainly due to a reduction in the 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 other ornamental fish recorded by our Malaysia fish division during this quarter.

#### Accessories

The lower demand from the domestic and Malaysia market has also led to a reduction in our accessories sales recorded locally and in our Malaysia subsidiary, during the 3rd quarter of 2004 as compared to its corresponding period in 2003.

#### Plastics

Our plastics activities are experiencing growth in the 3rd quarter of 2004 as we managed to focus on generating sales through selling more high value items and expanding our distribution channel.



## QIAN HU CORPORATION LIMITED

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

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

##### 3Q 2004 vs 2Q 2004

	<u>Group</u>		<b>Increase (Decrease)</b>	
	<b>3Q 2004</b>	<b>2Q 2004</b>		
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Fish	7,140	9,509	(2,369)	(24.9)
Accessories	6,704	6,762	(58)	(0.9)
Plastics	1,865	1,739	126	7.2
	<u>15,709</u>	<u>18,010</u>	<u>(2,301)</u>	

#### Fish

The dip in our fish turnover by approximately \$2.4 million or 24.9% in the 3rd quarter of 2004 as compared to the previous quarter was mainly due to a reduction in Dragon Fish sales (there was an exceptional single transaction amounted to approximately \$0.9 million in June 2004), coupled with a low ornamental fish export season from July to September as a result of the summer holidays in Europe. The ornamental fish sales recorded was comparable to that of the 1st quarter of 2004.

#### Accessories

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

#### Plastics

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

#### (b) Profitability

##### 9 months 2004 vs 9 months 2003

	<u>Group</u>		<b>Increase (Decrease)</b>	
	<b>9 months ended 30 Sep</b>			
	<b>2004</b>	<b>2003</b>	<b>\$'000</b>	<b>%</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Fish	3,584	3,428	156	4.6
Accessories	154	4,023	(3,869)	(96.2)
Plastics	234	225	9	4.0
Unallocated corporate expenses	(1,159)	(981)	(178)	(18.1)
	<u>2,813</u>	<u>6,695</u>	<u>(3,882)</u>	

Our operating profit decreased by \$3.9 million or 58.0% to \$2.8 million for the 9 months ended 30 September 2004 as compared to \$6.7 million for the 9 months ended 30 September 2003. Profit after taxation decreased by 72.2% from \$5.3 million for the 9 months ended 30 September 2003 to approximately \$1.5 million for the 9 months ended 30 September 2004. Our fish business is the main profit contributor in 2004.





## QIAN HU CORPORATION LIMITED

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

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

##### 3Q 2004 vs 3Q 2003

	Group		Increase (Decrease)	
	3Q 2004 \$'000	3Q 2003 \$'000	\$'000	%
Fish	585	1,472	(887)	(60.3)
Accessories	(916)	1,278	(2,194)	(171.7)
Plastics	84	33	51	154.5
Unallocated corporate expenses	(491)	(277)	(214)	(77.3)
	<u>(738)</u>	<u>2,506</u>	<u>(3,244)</u>	

#### Fish

Our operating profit from the ornamental fish activities decreased by \$0.9 million or 60.3% from \$1.5 million to \$0.6 million in the 3rd quarter of 2004 as compared to its corresponding period in 2003 due to the difference in sales mix and the lower sales recorded from the domestic and Malaysia market in the current quarter.

#### Accessories

Our accessories business incurred losses amounting to \$0.9 million in the 3rd quarter of 2004 partly as a result of lower turnover recorded, coupled with a slight reduction in gross profit margin yielded on a quarter-to-quarter basis from both our local and Malaysia operations due to keen competition. The profitability of our accessories business in the current quarter was also affected by the additional costs incurred on the Guangzhou factory's infrastructure.

In addition, the pre-operational expenses incurred by the 6 retail chain stores which commenced operations in the current quarter were written-off once they started their operations, coupled with the initial operating losses incurred by these retail chain stores, constituted to the losses registered in the current quarter.

#### Plastics

With higher turnover registered and better margin yielded from our plastics business, its operating profit increased accordingly in the current quarter as compared to the corresponding period in 2003.

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 as we continue to incur expenses in relation to the Group's branding project and the expansion of the Group's activities in the current quarter.



## QIAN HU CORPORATION LIMITED

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

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

##### 3Q 2004 vs 2Q 2004

	<u>Group</u>		<u>Increase</u>	
	<u>3Q</u>	<u>2Q</u>	<u>(Decrease)</u>	
	<u>2004</u>	<u>2004</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	585	2,014	(1,429)	(71.0)
Accessories	(916)	412	(1,328)	(322.3)
Plastics	84	46	38	82.6
Unallocated corporate expenses	(491)	(430)	(61)	(14.2)
	<u>(738)</u>	<u>2,042</u>	<u>(2,780)</u>	

#### Fish

The dip in operating profit from our ornamental fish business in the 3rd quarter of 2004 was mainly due to reduction in the sales of Dragon Fish which yielded better margins as well as the difference in sales mix as compared to the previous quarter.

#### Accessories

The losses registered by our accessories business of \$0.9 million 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 our newly set-up retail chain stores during the current quarter.

#### Plastics

Operating profit from our plastics activities increased in the current quarter as compared to the previous quarter was due to improved sales volume and the better margin yielded.

### 9 VARIANCE FROM PROSPECT STATEMENT

Not applicable

### 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

The factors affecting our Group, which we have previously announced in the last quarter's results will continue to apply in the next quarter. 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 current financial year ending 31 December 2004, but our profit will not be comparable to that of the last financial year.



## QIAN HU CORPORATION LIMITED

### 11 DIVIDEND

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

### 12 SEGMENT INFORMATION

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

<b>Group</b>	<b>9 months ended 30 Sep 2004</b>				<b>Total</b> \$'000
	<b>Fish</b> \$'000	<b>Accessories</b> \$'000	<b>Plastics</b> \$'000	<b>Eliminations</b> \$'000	
<b>Turnover</b>					
External sales	23,820	20,928	5,220	-	49,968
Inter-segment sales	3,872	4,343	114	(8,329)	-
<b>Total sales</b>	<b>27,692</b>	<b>25,271</b>	<b>5,334</b>	<b>(8,329)</b>	<b>49,968</b>
<b>Results</b>					
Segment results	3,675	237	237	10	4,159
Unallocated expenses					(1,128)
					3,031
Financial expenses - net					(218)
Share of associates results					(66)
Taxation					(781)
Minority interests					(485)
<b>Net profit for the period</b>					<b>1,481</b>
<b>Net profit margin</b>	<b>15.4%</b>	<b>1.1%</b>	<b>4.5%</b>		<b>3.0%</b>
<b>Assets and liabilities</b>					
Assets	31,867	26,762	3,838	-	62,467
Unallocated assets					879
<b>Total assets</b>					<b>63,346</b>
Liabilities	6,677	3,675	1,224	-	11,576
Unallocated liabilities					9,234
<b>Total liabilities</b>					<b>20,810</b>
<b>Other Information</b>					
Capital expenditure	767	1,358	128	-	2,253
Depreciation and amortisation	832	539	238	-	1,609
Other non-cash expenses (income)	144	24	55	-	223



## QIAN HU CORPORATION LIMITED

### 12 SEGMENT INFORMATION (cont'd)

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

Group	9 months ended 30 Sep 2003				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
<b>Turnover</b>					
External sales	20,676	25,416	4,912	-	51,004
Inter-segment sales	1,896	8,872	889	(11,657)	-
Total sales	<u>22,572</u>	<u>34,288</u>	<u>5,801</u>	<u>(11,657)</u>	<u>51,004</u>
<b>Results</b>					
Segment results	3,474	4,155	231	25	7,885
Unallocated expenses					(1,009)
					<u>6,876</u>
Financial expenses - net					(181)
Taxation					(1,030)
Minority interests					(344)
<b>Net profit for the period</b>					<u>5,321</u>
<b>Net profit margin</b>	<b>16.8%</b>	<b>16.3%</b>	<b>4.7%</b>		<b>10.4%</b>
<b>Assets and liabilities</b>					
Assets	26,183	23,593	4,552	-	54,328
Investments in associates					45
Unallocated assets					296
<b>Total assets</b>					<u>54,669</u>
Liabilities	5,734	5,937	942	-	12,613
Unallocated liabilities					3,240
<b>Total liabilities</b>					<u>15,853</u>
<b>Other Information</b>					
Capital expenditure	525	635	130	-	1,290
Depreciation and amortisation	599	427	239	-	1,265
Other non-cash expenses (income)	(475)	221	17	-	(237)



## QIAN HU CORPORATION LIMITED

### 12 SEGMENT INFORMATION (cont'd)

#### (b) Geographical segments

Group	Turnover		Assets		Capital expenditure	
	9 months ended 30 Sep		9 months ended 30 Sep		9 months ended 30 Sep	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	18,002	23,006	23,234	26,813	211	474
Other asian countries	23,135	20,138	40,112	27,856	2,042	816
Europe	6,714	5,784	-	-	-	-
Others	2,117	2,076	-	-	-	-
<b>Total</b>	<b>49,968</b>	<b>51,004</b>	<b>63,346</b>	<b>54,669</b>	<b>2,253</b>	<b>1,290</b>

### 13 BREAKDOWN OF SALES

Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
<b>3Q 2004</b>				
Singapore (including domestic sales & sales to Singapore)	1,771	2,892	1,863	6,526
Overseas (including export to & sales in overseas)	5,369	3,812	2	9,183
<b>Total sales</b>	<b>7,140</b>	<b>6,704</b>	<b>1,865</b>	<b>15,709</b>
<b>3Q 2003</b>				
Singapore	2,607	2,944	1,642	7,193
Overseas	4,995	5,597	14	10,606
<b>Total sales</b>	<b>7,602</b>	<b>8,541</b>	<b>1,656</b>	<b>17,799</b>
<b>9 months ended 30 Sep 2004</b>				
Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
Singapore (including domestic sales & sales to Singapore)	5,701	7,169	5,132	18,002
Overseas (including export to & sales in overseas)	18,119	13,759	88	31,966
<b>Total sales</b>	<b>23,820</b>	<b>20,928</b>	<b>5,220</b>	<b>49,968</b>
<b>9 months ended 30 Sep 2003</b>				
Singapore	8,704	9,404	4,898	23,006
Overseas	11,972	16,012	14	27,998
<b>Total sales</b>	<b>20,676</b>	<b>25,416</b>	<b>4,912</b>	<b>51,004</b>

#### BY ORDER OF THE BOARD

Kenny Yap Kim Lee  
Executive Chairman and Managing Director  
25/10/2004