

QIAN HU CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 199806124N

Minutes of the Sixth Annual General Meeting of the Company held at No. 71 Jalan Lekar, Singapore 698950 on Friday, 18 March 2005 at 11.00 a.m.

Present

Board of Directors/Secretaries

1. Mr Kenny Yap Kim Lee
 - (i) Executive Chairman & Managing Director
 - (ii) Shareholder
 - (iii) Proxy for:
 - DBS Nominees Pte Ltd
 - HSBC Nominees (S) Pte Ltd
 - Yap Ping Heng
 - Yap Hock Huat
 - Yap Kim Choon
 - Yap Kim Chuan
2. Mr Alvin Yap Ah Seng (Director)
Shareholder
3. Mr Andy Yap Ah Siong (Director)
Shareholder
4. Mr Robson Lee Teck Leng (Director)
Shareholder
5. Mr Chang Weng Leong (Director)
Shareholder
6. Mr Tan Tow Ee (Director)
Shareholder
7. Ms Lai Chin Yee (Director/Company Secretary)
Shareholder
8. Ms Sharon Yeoh (Company Secretary)
M & C Services Private Limited

In Attendance

1. Mr Steven Phan Swee Kim
Ernst & Young
2. Ms May Yee
Ernst & Young
3. Mr Iskander Namazie
M & C Services Private Limited
4. Ms Amelia Wong
M & C Services Private Limited
5. Mr Marcus Goh
M & C Services Private Limited

Shareholders

1. Mr Goh Lian Teck
2. Ms Tan Geok Hiok Linda
3. Mr Chong Aik Boo
4. Mr Tan Tok Jin
5. Mr Teo Jui Wah
6. Mr Ee Guan Soon
7. Mr Leong Seng Kei
8. Mr Tan Siew Huat
9. Mr Chew Ah Lay
10. Mr Toh Kah Sin
11. Ms Yap Geok Ching
12. Mr Ng Eng Seng
13. Ms Yap Ai Tin
14. Ms Yap Saw Chin
15. Mr Yeo Heng Kit
16. Mr Leow Kin Chuan

Proxies

17. Ms Lim Yue Li
Proxy for Lim Yu May
18. Mr R T Sheth
Proxy for Ee Kok Pheng
19. Mr Tan Chee Leong
Proxy for Phillip Securities Pte Ltd

Observer

20. Ms Wong Po Kew

The Chairman of the Board of Directors, Mr Kenny Yap Kim Lee chaired the meeting. Having noted that a quorum was present, the meeting was called to order.

Chairman thanked the shareholders and all those present for their attendance. Before proceeding to the formal business of the Annual General Meeting (“AGM”), he took the opportunity to announce that, as agreed during the Company’s AGM last year, the Company had made arrangement to transport shareholders from the nearest MRT station to facilitate their attendance at this year’s AGM held at the Qian Hu Fish Farm. However, he apologized to the shareholders that there should have been proper signage put up on the shuttle bus for shareholders who were attending the AGM to identify the bus at the pick up point.

Mr R T Sheth, proxy for shareholder Mr Ee Kok Pheng, commented that a Qian Hu staff should be stationed at the pick-up point to guide the shareholders. He suggested that future AGMs should be held in a more convenient area such as a conference room in a reasonably priced hotel in town as this would make it more accessible to the shareholders.

Chairman thanked shareholders for their feedback. He explained that the cost of holding AGM at hotels was not the factor and that the main reason for holding the AGM at the Qian Hu Fish Farm was because the shareholders were owners of the Company and it made good sense for the shareholders to come back once a year to visit their “home” and to look at the operations of the Company when attending the AGM.

With the permission of the meeting, the notice convening the meeting was taken as read.

ORDINARY BUSINESS

1. Adoption of Reports and Financial Statements

Chairman invited questions from the shareholders on the Reports and Financial Statements FY 2004.

A shareholder present, Mr Tan Tok Jin, enquired whether the Company would be able to completely utilise its Section 44 balance prior to the deadline for transferring to the one-tier tax system (i.e. 31 December 2007).

Ms Lai Chin Yee, Finance Director, replied that the utilisation of the Company’s Section 44 balance of approximately \$2.3 million as at 31 December 2004 would depend on the Group’s future earnings and its cashflow position.

Chairman further explained that the Board had always tried its best to strike a balance. As much as the Company would like to reward its loyal and supportive shareholders, the shareholders should understand the Group’s expansion of its operations and cash was needed for such expansion. In view that the Group had embarked on aggressive expansion initiatives in the previous year, it needs to retain cash to meet its investment requirements. As such, the Board felt that it was prudent not to declare any dividend for the financial year ended 31 December 2004.

Mr Tan Tok Jin commented that from the photographs taken of the retail chain stores of the Group on page 43 of the 2004 Annual Report (“Annual Report”), it appeared that these retail chain stores looked rather quiet and deserted. He was concerned about how the Group would sustain the growth of these retail chain stores with limited patronage.

Chairman explained that the photographs were taken prior to the launching of these retail chain stores and as such, there were not many customers featured in the pictures. He explained that retail pet stores were higher value stores and unlike food courts which were usually crowded. These retail stores had more customers usually on weekends and holidays.

Mr Tan Tok Jin further enquired on how the retail chain stores in overseas countries like China and Malaysia were managed.

Chairman explained that currently, the Group set up retail chain stores only in countries where the Group's subsidiaries were located. These subsidiaries had expanded their operations to include the managing of these retail stores directly.

To Mr Tan Tok Jin's query on the outsourcing of Qian Hu's retail chain stores, Chairman said that it would be similar to the franchising concept but the Group's retail chain stores were not franchised. Franchising would require everyone to work on a common business model and some franchisees might be reluctant to adopt Qian Hu's business model for their stores. It was Qian Hu's duty and philosophy to own and run these retail stores and to learn from the experience gained. He added that Qian Hu might consider franchising the stores in future.

Mr Tan Tok Jin sought clarification on the increase in the Group's inventories balance from \$14.7 million in FY 2003 to \$19.9 million in FY 2004.

Chairman replied that the increase in inventories was due to stocking up of inventories in the retail chain stores which commenced operations in FY 2004, as well as the increase in production capacity of the Guangzhou factory. However, he mentioned that the inventory level should decrease by the end of the year as compared to the previous year.

Chairman highlighted that the Group's accessories activities had a lower barrier of entry and had registered a dip in profitability in FY 2004 due to the squeeze in margin. In order to prevent further margin decline, the Group had to work on building its own brand name and at the same time, look into providing a reliable back-end supply, such as operating a factory which can produce competitive products, to complement its distribution efforts as well as building up the Group's front-end distribution activities. All these efforts would hopefully restore the accessories' profit margin going forward.

Mr Tan Tok Jin noted the sizeable amount of investment of \$7.7 million in one of the subsidiaries, Kim Kang Aquaculture Sdn Bhd ("Kim Kang") and that the purchase consideration for the acquisition of Kim Kang was paid on an "earned-out" basis based on a projected profit amount achieved as stipulated in the Sale & Purchase Agreement for the acquisition. He asked how the Company could ensure that the profit recorded by Kim Kang in FY 2004 was not overstated to arrive at the projected profit amount in order for the vendors to receive their payout.

Chairman replied that Kim Kang, located in Batu Pahat, is relatively close to the Company. The Company's finance team verified Kim Kang's management accounts on a monthly basis and an annual year-end audit was carried out by Kim Kang's statutory auditors to ensure the reliability and credibility of its financials. Kim Kang, with its operations complemented that of Qian Hu's, had its main focus on producing high value dragon fish, Chairman was of the opinion that the acquisition was a worthwhile investment and that it has since brought enormous value to the Group.

Mr Tan Tok Jin referred to page 111 of the Annual Report on directors' salary and bonuses and asked why Ms Lai Chin Yee received only \$31,730 in FY 2004, while the other executive directors received comparatively much more.

Chairman clarified that Ms Lai Chin Yee was appointed only on 1 November 2004 to which Mr Tan suggested that it should have been mentioned in the Annual Report that the salary was for only two months to reflect a clearer picture. The meeting noted Mr Tan Tok Jin's suggestion.

Mr R T Sheth requested that the figures stated on page 111 on directors' salaries and bonuses be itemised separately in accordance with the SGX's Listing Manual requirements. The meeting noted Mr R T Sheth's comments. Mr Robson Lee, Chairman of Audit Committee, added that Qian Hu had always adhered to SGX's listing rules on disclosure matters as evidenced by the various awards it has won for corporate transparency over the years.

Mr R T Sheth asked why the Group's profit had fallen drastically by 76.8% from a profit after tax of \$7 million in FY 2003 to \$1.6 million in FY 2004 and why the surge in bank borrowings and interest on borrowings in FY 2004.

Chairman replied that the Group's profit reduced in the previous year as it was undergoing a transformation process in FY 2004. It had incurred pre-operational expenses and initial operating losses on its retail chain stores which commenced operations in FY 2004, coupled with the increased regional competition mainly in the Singapore and Malaysian markets.

Chairman added that the bank loans were obtained to finance the setting up of the Group's retail chain stores throughout the region as well as for the expansion of its Guangzhou factory facilities. He highlighted that the Group's debt-to-equity ratio was within an acceptable range.

To Mr R T Sheth's query on the high amount of provision for doubtful debts made, Chairman replied that the Board had adopted a conservative and prudence concept in providing for doubtful debts.

With regard to share options granted, Mr R T Sheth asked whether the share options as highlighted on page 68 of the Annual Report had been exercised or cancelled. He said that the information shown should be more precise.

Chairman clarified that the options had all been exercised. Mr Robson Lee, Chairman of Audit Committee, added that the options referred thereto were granted under the Qian Hu Pre-IPO Employees' Share Option Scheme ("Pre-IPO scheme") which has a vesting period of 10 years. There were no outstanding share options granted under the Pre-IPO scheme as at 31 December 2004.

Another shareholder, Mr Goh Lian Teck, asked why the directors' remuneration for the directors of subsidiaries had increased by \$225K (or approximately 59%) to \$610K in FY 2004 as compared to \$385K in FY 2003.

Chairman replied that the increase in remuneration for the directors of subsidiaries related to directors' remuneration paid to the directors of two entities, Kim Kang and PT Qian Hu Aquarium and Pets Indonesia, which were acquired by the Group in July 2003 and January 2004 respectively. As these entities were existing companies with on-going profitable operations, the Group had an obligation to pay a similar level of salaries to their directors.

Mr Goh Lian Teck asked whether the Group had a policy or any guidelines adopted for maintaining a minimum cash and bank balance for its operation needs.

Ms Lai Chin Yee, Finance Director, explained that the Group's consolidated cash and bank balances consisting of cash and bank balances from the 5 countries in which the Group operates had remained relatively consistent over the two years, representing the amount of cash and bank balances required for daily operations purposes. The Group's long-term expansion (e.g. setting up of retail chain stores) had been funded by bank borrowings. However, the Group had been working towards being able to fund its future expansions by internally generated funds.

Referring to page 93 of the Annual Report, Mr Goh Lian Teck asked why the net book value of two of the leasehold properties held by the Group had nil balances as at 31 December 2004.

Ms Lai Chin Yee, Finance Director, replied that the leasehold land in Thailand had been fully depreciated while the leasehold land and factory buildings in Anxi, China had a zero net book value following the disposal of the Group's interest in Fujian Anxi QianLong Plastics Private Co Ltd in June 2004.

As regards the reason for the disposal of the Group's interest in its China plastic operations, Chairman highlighted that the plastic business was only an auxiliary business of the Group. There was hardly any operational efficiency and also a stretch in the human resource aspects having to operate the Group's plastic business in both Singapore and China (Anxi). Currently, the Group's plastic business was concentrated under Qian Hu Tat Leng Plastic Pte Ltd in Singapore, which was profitable and was able to provide a steady cashflow to the Group.

Mr Goh Lian Teck enquired whether there was any projected timeframe to recoup the huge cost of investment made in Kim Kang.

Chairman replied that Kim Kang's performance had been up to expectation as it was able to meet its projected profits set for the past two years. The Group envisaged that it should be able to recoup the entire investment within the next two to three years.

Mr Goh Lian Teck would like to know the reason for the striking off of Jiang Nan Holdings Pte Ltd in FY 2004.

Chairman replied that Jiang Nan Holdings Pte Ltd was initially set up as an investment holding vehicle to hold certain investments of the Group made in China. The Group had since decided to directly hold these investments and as such, Jiang Nan Holdings Pte Ltd was no longer required in the group structure.

Mr Goh Lian Teck further asked if the Group had injected any amounts into Shanghai Qian Hu Aquarium and Pets Co Ltd ("Shanghai Qian Hu"), which was incorporated on 17 December 2004 (as mentioned in page 98 of the Annual Report).

Ms Lai Chin Yee, Finance Director, confirmed that the Group had remitted US\$130K in mid-March 2005 to Shanghai Qian Hu, representing 20% of its paid up capital.

Two shareholders present, Mr Tan Siew Huat and Mr Teo Jui Wah asked whether the current year would yield better results and when the Group would be able to reap the harvest.

To this, Chairman said that he believed that the Group was now in its last phase of consolidation and transformation. He acknowledged that last year had been a difficult year for the Group. However, he believed that if everyone in Qian Hu continued to work very hard, things should get better from now. Chairman added that with every business cycle when the business reaches the bottom of the cycle, the larger players will stay while the smaller ones will exit.

Mr R T Sheth referred to the “share of losses of associates” of \$66K as reflected in the profit and loss account on page 76 of the Annual Report and asked which associates had incurred such losses.

Chairman replied that this was the Group’s 49% share of losses in PLC Pet Safari (Kuala Lumpur) Sdn Bhd, a joint venture with The Pet Safari Pte Ltd (which is wholly-owned by Pet Lovers Centre Pte Ltd). The company was in its first year of operations.

Mr Goh Lian Teck noted the high tax charge of the Group in FY 2004 and whether the tax rate would remain at that level in the coming years.

Ms Lai Chin Yee, Finance Director, explained that the high effective tax rate recorded in FY 2004 was due to losses incurred by some subsidiaries which could not be offset against profits earned by other companies in the Group, as well as the varying statutory tax rates of different countries in which the Group operates.

As there were no further questions, Chairman requested shareholders to formally propose and second Ordinary Resolution No. 1: -

“Resolved that the Audited Accounts for the financial year ended 31 December 2004 and the Reports of the Directors and Auditors thereon be hereby received and adopted.”

On the proposal of Mr Tan Tok Jin and seconded by Mr Goh Lian Teck, Ordinary Resolution No. 1 was put to a vote. As there was no vote against, Chairman declared Ordinary Resolution No. 1 carried.

2. Re-election of Director

Chairman informed the meeting that Mr Chang Weng Leong and Mr Lee Teck Leng Robson, both Independent Directors, were to retire pursuant to Article 89 of the Company’s Articles of Association. Both directors had consented to offer themselves for re-election. The meeting would vote on the re-election one at a time.

He invited questions from shareholders. As there were no questions, he requested shareholders to formally propose and second Ordinary Resolution No. 2: -

“Resolved that Mr Chang Weng Leong who retired pursuant to Article 89 of the Company’s Articles of Association, being eligible and offering himself for re-election be and is hereby re-elected as Director of the Company.”

On the proposal of Mr R T Sheth and seconded by Mr Goh Lian Teck, Ordinary Resolution No. 2 was put to a vote. Mr Chang Weng Leong abstained from voting. As there was no vote against, Chairman declared Ordinary Resolution No. 2 carried.

It was noted that Mr Chang Weng Leong was considered an independent director, and would remain a member and Chairman of the Remuneration Committee and member of the Audit and Nominating Committees.

3. Re-election of Director

Chairman invited questions from shareholders. As there were no questions, he requested shareholders to formally propose and second Ordinary Resolution No. 3: -

“Resolved that Mr Lee Teck Leng Robson who retired pursuant to Article 89 of the Company’s Articles of Association, being eligible and offering himself for re-election be and is hereby re-elected as Director of the Company.”

On the proposal of Mr R T Sheth and seconded by Mr Tan Tok Jin, Ordinary Resolution No. 3 was put to a vote. Mr Lee Teck Leng Robson abstained from voting. As there was no vote against, Chairman declared Ordinary Resolution No. 3 carried.

It was noted that Mr Lee Teck Leng Robson was considered an independent director, and would remain a member and Chairman of the Audit Committee and member of the Remuneration and Nominating Committees.

4. Re-election of Director

Chairman informed the meeting that Ms Lai Chin Yee, an Executive Director, was to retire pursuant to Article 88 of the Company’s Articles of Association. Ms Lai Chin Yee had consented to offer herself for re-election.

As Ms Lai Chin Yee was previously the Group Financial Controller of the Company, Mr Tan Tok Jin asked for the reason for her appointment as the Executive Finance Director of the Company.

Chairman explained that with her financial background, Ms Lai Chin Yee is able to contribute positively in finance related matters at the Board level.

Mr Tan Tok Jin commented that the Company should consider appointing an independent party with that calibre as director to be a member of the Audit Committee.

To this, Mr Robson Lee, Chairman of the Audit Committee, replied that the Company already has a strong composition of Audit Committee and presently there were adequate checks and balances in place. He clarified that Ms Lai Chin Yee’s appointment was a promotion in recognition of her valuable contribution to the Group. Her appointment was of an executive capacity and hence, she would not be seated on the Audit Committee which consists of independent directors. As such, he confirmed that there would not be any conflict of interest arising from her appointment. As the Chairman of the Audit Committee, he complimented Ms Lai’s dedication and stressed that her appointment to the Board would strengthen the Board’s effectiveness. Moreover, Ms Lai’s promotion also signified Qian Hu’s belief in promoting capable staff and this would motivate its staff to strive for advancement in the Company.

As there were no further questions, Chairman requested shareholders to formally propose and second Ordinary Resolution No. 4: -

“Resolved that Ms Lai Chin Yee who retired pursuant to Article 88 of the Company’s Articles of Association, being eligible and offering herself for re-election be and is hereby re-elected as Director of the Company.”

On the proposal of Mr R T Sheth and seconded by Mr Tan Tok Jin, Ordinary Resolution No. 4 was put to a vote. Ms Lai Chin Yee abstained from voting. As there was no vote against, Chairman declared Ordinary Resolution No. 4 carried.

5. Approval of Directors' Fees

Chairman informed the meeting that each independent director would receive \$10,000 as director's fee for services rendered in FY 2004.

Chairman invited questions from shareholders. As there were no questions, he requested shareholders to formally propose and second Ordinary Resolution No. 5:-

“Resolved that the payment of Directors' fees of \$30,000 for the financial year ended 31 December 2004 be and is hereby approved.”

On the proposal of Mr R T Sheth and seconded by Mr Tan Siew Huat, Ordinary Resolution No. 5 was put to a vote. Mr Robson Lee, Mr Chang Weng Leong and Mr Tan Tow Ee abstained from voting. As there was no vote against, Chairman declared Ordinary Resolution No. 5 carried.

6. Re-appointment of Auditors

Mr Tan Tok Jin commented on the increase in audit fees for FY 2004 despite the decrease in the Group's turnover for the year.

Mr Stephen Phan, the audit engagement partner from Ernst & Young, informed that the management had discussed audit fees vigorously with the auditors. He explained that the increase in audit fees was mainly due to additional audit procedures required to be carried out following the acquisition of Kim Kang Aquaculture Sdn Bhd, which results were material to the Group. As Ernst & Young was required to express an audit opinion on the consolidated numbers of the Group, they had to travel to Batu Pahat (Johor) to review the audit working papers of Kim Kang's auditors so as to satisfy themselves the basis of expressing such an opinion.

As there were no further questions, Chairman requested shareholders to formally propose and second Ordinary Resolution No. 6: -

“Resolved that Ernst & Young be and are hereby re-appointed Auditors of the Company at a fee to be fixed by the Directors.”

On the proposal of Mr R T Sheth and seconded by Mr Tan Tok Jin, Ordinary Resolution No. 6 was put to a vote. As there was no vote against, Chairman declared Ordinary Resolution No. 6 carried.

7. Any Other Business

As there was no other business, Chairman proceeded to the Special Business of the meeting.

SPECIAL BUSINESS

Ordinary Resolution

8. General Mandate to Authorise the Directors to Issue Shares or Convertible Securities

Mr Goh Lian Teck enquired what would the effect be should shareholders not approve the motion.

Mr Robson Lee, Chairman of Audit Committee, replied that the mandate was to enable the directors to issue new shares as required under the Companies Act. If the mandate was not approved, it would slow down the process of raising funds by way of equity issues should there be a business opportunity as the Company would need to convene another general meeting to seek shareholders' approval to issue new shares within the prescribed limit permitted by the rules of the Singapore Exchange. He explained that this was a standard and usual mandate adopted by almost all listed companies at their AGMs and it would be premature at this stage to discuss whether the Company would use the mandate to raise funds.

Mr R T Sheth was concerned that the mandate would give the directors a free hand to consolidate the Company's shares without the shareholders' approval.

Mr Robson Lee assured Mr Sheth that there would not be any consolidation of the Company's shares, without the prior specific approvals of the Singapore Exchange and the Company's shareholders.

As there were no further questions, Chairman requested shareholders to formally propose and second Ordinary Resolution No. 7: -

“THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited (the “Listing Rules”), authority be and is hereby given to the Directors of the Company to allot and issue: -

- (a) shares; or
- (b) convertible securities; or
- (c) additional securities issued pursuant to Rule 829 of the Listing Rules; or
- (d) shares arising from the conversion of securities in (b) and (c) above,

in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that: (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution must be not more than 50% of the issued share capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the issued share capital of the Company (calculated in accordance with (ii) below); and (ii) for the purpose of determining the number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued share capital shall be calculated based on the Company's issued share capital at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent consolidation or subdivision of shares. Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the earlier of the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the company is required by law to be held, whichever is earlier.”

On the proposal of Mr R T Sheth and seconded by Mr Tan Tok Jin, Ordinary Resolution No. 7 was put to a vote. As there was no vote against, Chairman declared Ordinary Resolution No. 7 carried.

There being no further business, the meeting ended at 12.05 p.m. Chairman thanked the support of all the shareholders of Qian Hu.

**CONFIRMED AS A CORRECT RECORD OF THE
PROCEEDINGS OF THE MEETING**



**KENNY YAP KIM LEE
CHAIRMAN**