



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

THIRD QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT AND LOSS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2007**

	Note	Group			Group		
		3 months ended 30 Sep		Change	9 months ended 30 Sep		Change
		2007	2006		2007	2006	
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		22,688	18,970	19.6	67,097	55,398	21.1
Cost of sales		(14,677)	(12,638)	16.1	(43,463)	(35,856)	21.2
Gross profit		8,011	6,332	26.5	23,634	19,542	20.9
Other operating income		33	40	(17.5)	193	163	18.4
		8,044	6,372	26.2	23,827	19,705	20.9
Selling & distribution expenses	i	(827)	(564)	46.6	(2,328)	(1,870)	24.5
General & administrative expenses	ii	(5,074)	(4,619)	9.9	(15,113)	(13,621)	11.0
Profit from operations	iii	2,143	1,189	80.2	6,386	4,214	51.5
Financial expenses	iv	(226)	(177)	27.7	(632)	(528)	19.7
Financial income		2	2	-	6	13	(53.8)
		1,919	1,014	89.3	5,760	3,699	55.7
Share of profit of associate		18	-	-	18	-	-
Profit before taxation		1,937	1,014	91.0	5,778	3,699	56.2
Taxation	v	(357)	(220)	62.3	(1,380)	(1,109)	24.4
Profit for the period		1,580	794	99.0	4,398	2,590	69.8
Attributable to:							
Shareholders of the Company		1,268	632	100.6	3,370	1,748	92.8
Minority interests		312	162	92.6	1,028	842	22.1
		1,580	794	99.0	4,398	2,590	69.8
Gross profit margin		35.3%	33.4%		35.2%	35.3%	
Net profit margin		7.0%	4.2%		6.6%	4.7%	

Notes to Statement of Profit and Loss

- (i) The increase in **selling and distribution expenses** incurred in the 3rd quarter and the first 9 months of 2007 as compared to that of its corresponding period in 2006 was in line with the higher revenue contributions.
- (ii) The higher amount of **general and administrative expenses** incurred in the 3rd quarter and the first 9 months of 2007 as compared to that of its corresponding period in 2006 was mainly due to the increase in personnel expenses as a result of annual salary revision and the increase in overall headcount of the Group during the current financial year.



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

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	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	18	20	57	56
- other auditors	6	3	17	9
Non-audit fees				
- auditors of the Company	-	16	-	21
- other auditors	7	-	24	-
Directors' fees				
- directors of the Company	10	8	28	26
Directors' remuneration				
- directors of the Company	273	166	677	498
- directors of subsidiaries	167	127	529	382
Amortisation of product listing fees	10	11	31	31
Bad trade receivables written off	-	71	-	82
Depreciation of				
- property, plant and equipment	453	482	1,392	1,502
- brooder stocks	94	68	267	182
Property, plant and equipment written off	1	-	1	-
(Gain) Loss on disposal of				
- property, plant and equipment	(16)	3	(92)	(22)
- quoted equity investment	1	-	1	-
Allowance for				
- doubtful trade receivables	73	67	501	104
- due from associate (trade)	-	10	-	70
- inventory obsolescence	30	-	113	-
Operating lease expenses	247	337	740	963
Personnel expenses *	2,940	2,361	8,612	7,410
Exchange gain, net	(53)	(66)	(333)	(177)

* Include directors' remuneration.

(iv) The increase in **financial expenses** in the current financial period as compared to its corresponding period in 2006 was mainly due to interest expenses incurred on higher amount of bank borrowings during the period.

(v) **Taxation**

There was no adjustment for under or over provision for taxation in respect of prior years.

Despite applying the concessionary tax rate of 10% from the Company's IHQ status on its qualifying income in both periods, the tax charge was higher than the amount obtained by applying the statutory tax rate on profit before taxation mainly 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 tax authorities; and
- varying statutory tax rates of different countries in which the Group operates.



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

1(b)(i) **BALANCE SHEETS**

	Group		Company	
	30 Sep 2007	31 Dec 2006	30 Sep 2007	31 Dec 2006
	\$	\$	\$	\$
Equity attributable to Shareholders of the Company				
Share capital	28,717,489	18,997,444	28,717,489	18,997,444
Reserves	17,182,171	23,489,347	10,578,014	18,042,095
	45,899,660	42,486,791	39,295,503	37,039,539
Minority Interests	7,318,325	6,386,450	-	-
Total Equity	53,217,985	48,873,241	39,295,503	37,039,539
Non-Current Assets				
Property, plant and equipment	12,350,902	11,490,339	2,554,252	2,809,722
Brooder stocks	19,086,019	15,279,911	1,233,278	1,255,170
Investments in subsidiaries	-	-	11,152,586	11,152,586
Investment in associate	831,075	-	812,600	-
Quoted equity investment	-	3,597	-	-
Intangible assets	2,168,401	1,913,459	170,961	174,389
Current Assets				
Inventories	21,818,205	21,647,322	6,407,948	5,919,631
Breeder stocks	1,721,800	1,721,800	245,800	245,800
Trade receivables	18,284,121	15,913,049	7,642,355	7,962,236
Other receivables, deposits and prepayments	1,811,760	1,751,825	435,680	276,147
Due from				
- subsidiaries (trade)	-	-	17,031,111	16,002,851
- subsidiaries (non-trade)	-	-	3,031,471	2,703,720
Fixed deposits	23,706	23,706	23,706	23,706
Cash and bank balances	5,849,709	5,617,192	3,696,698	3,677,172
	49,509,301	46,674,894	38,514,769	36,811,263
Current Liabilities				
Trade payables	6,973,356	6,007,592	2,596,783	3,267,276
Bills payable to banks (unsecured)	4,618,527	5,156,871	940,298	1,188,399
Other payables and accruals	4,017,710	3,746,860	2,987,344	2,913,118
Due to				
- subsidiaries (trade)	-	-	170,037	81,885
- subsidiaries (non-trade)	-	-	440,000	690,000
- minority shareholders of a subsidiary (non-trade)	848,933	1,146,569	-	-
Finance lease obligations	146,037	181,723	55,883	79,676
Bank term loans	7,648,056	6,536,711	7,250,000	6,300,000
Provision for taxation	1,080,587	643,738	409,275	360,087
Bank overdraft (unsecured)	1,251,831	173,570	-	-
	26,585,037	23,593,634	14,849,620	14,880,441
Net Current Assets	22,924,264	23,081,260	23,665,149	21,930,822
Non-Current Liabilities				
Finance lease obligations	(190,536)	(108,724)	(58,323)	(48,150)
Bank term loans	(1,468,432)	(681,420)	-	-
Deferred taxation	(2,483,708)	(2,105,181)	(235,000)	(235,000)
Net Assets	53,217,985	48,873,241	39,295,503	37,039,539



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

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

	Group		Company	
	30 Sep 2007	31 Dec 2006	30 Sep 2007	31 Dec 2006
Inventory turnover (days)	147	168	64	74
Trade receivables turnover (days)	70	74	56	68
Debt equity ratio	0.58	0.54	0.39	0.41

Notes to Balance Sheets

(1) The details of subsidiaries are as follows:

Name	Effective equity interest held by the Group		Cost of investment by the Company	
	30 Sep 2007	31 Dec 2006	30 Sep 2007	31 Dec 2006
	%	%	\$	\$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	150,451	150,451
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Kim Kang Aquaculture Sdn Bhd and its subsidiary: (Malaysia)	65	65	7,699,891	7,699,891
- Kim Kang Frozen Food Sdn Bhd (formerly known as Qian Hu The Pet Family (KK) Sdn Bhd) (Malaysia)	65	65	-	-
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd (People's Republic of China)	100	100	1,686,039	1,686,039
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	1,086,516	1,086,516
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
			11,152,586	11,152,586

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



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

Notes to Balance Sheets (cont'd)

- (2) The details of associate are as follows:

Name	Group		Company	
	30 Sep 2007	31 Dec 2006	30 Sep 2007	31 Dec 2006
	\$	\$	\$	\$
Unquoted equity investment - Arcadia Product PLC	812,600	-	812,600	-
Share of post-acquisition profit	18,475	-	-	-
	<u>831,075</u>	<u>-</u>	<u>812,600</u>	<u>-</u>

In July 2007, the Company acquired a 20% equity interest in Arcadia Products PLC (“Arcadia”), an aquarium lamp manufacturer based in the United Kingdom, for an initial consideration of £264K (approximately S\$813K). In addition, in the event that Arcadia achieves a net profit after tax (“PAT”) of not less than £400K (the “Required PAT”) in respect of Arcadia’s financial year ending 30 June 2008 (“FY 2008”), the Company has agreed to pay a further consideration for the acquisition amounting to 20% of six times the amount of Arcadia’s PAT less the amount of initial consideration already paid by the Company (“further consideration”). If the Required PAT is not achieved for FY 2008, the further consideration, calculated on the same abovementioned basis for the financial year ending 30 June 2009 (“FY 2009”), will be payable upon Arcadia achieving the Required PAT in FY 2009.

- (3) Intangible assets comprise:

	Group		Company	
	30 Sep 2007	31 Dec 2006	30 Sep 2007	31 Dec 2006
	\$	\$	\$	\$
Trademarks/customer acquisition costs	728,497	700,996	710,570	683,392
Product listing fees	196,153	196,153	196,153	196,153
Goodwill on consolidation	1,997,440	1,739,070	-	-
	<u>2,922,090</u>	<u>2,636,219</u>	<u>906,723</u>	<u>879,545</u>
Less accumulated amortisation	(753,689)	(722,760)	(735,762)	(705,156)
	<u>2,168,401</u>	<u>1,913,459</u>	<u>170,961</u>	<u>174,389</u>

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”. With the adoption of the revised FRS 38 *Intangible Assets*, trademarks/customer acquisition costs were determined to have indefinite lives and were no longer amortised but subjected to annual impairment testing.

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. The remaining amortisation period for product list fees ranges from 2 to 3 years.



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

Notes to Balance Sheets (cont'd)

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 of subsidiaries acquired. It was stated at cost from the date of initial recognition and amortised over its estimated useful life of 20 years. With the adoption of FRS 103 *Business Combinations*, the Group discontinued amortisation of goodwill on consolidation. The remaining goodwill balance is subject to annual impairment testing.

(4) Inventories comprise:

	Group		Company	
	30 Sep 2007	31 Dec 2006	30 Sep 2007	31 Dec 2006
	\$	\$	\$	\$
Fish	7,377,743	8,024,510	2,462,186	2,213,171
Accessories	13,959,818	13,329,875	4,384,222	4,036,779
Plastics products - raw materials	361,836	212,802	-	-
Plastics products - finished goods	651,058	504,244	-	-
	<u>22,350,455</u>	<u>22,071,431</u>	<u>6,846,408</u>	<u>6,249,950</u>
Less allowance for inventory obsolescence	(532,250)	(424,109)	(438,460)	(330,319)
	<u>21,818,205</u>	<u>21,647,322</u>	<u>6,407,948</u>	<u>5,919,631</u>

The increase in accessories inventory balance as at 30 September 2007 was mainly due to higher raw materials held in our Guangzhou factory as more production orders were received in 2007. Accordingly, it has resulted in the increase in trade payables as at 30 September 2007.

(5) Despite the increase in trade receivables balance as at 30 September 2007 as a result of higher revenue registered during the first 9 months of 2007, trade receivables turnover has reduced from 74 days as at 31 December 2006 to 70 days. The Group typically grants existing customers credit terms of 30 to 90 days.

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

	Group		Company	
	30 Sep 2007	31 Dec 2006	30 Sep 2007	31 Dec 2006
	\$	\$	\$	\$
Due within 1 year:				
Short term loans (unsecured)	7,250,000	6,300,000	7,250,000	6,300,000
Long-term loans, current portion				
- secured	40,541	40,448	-	-
- unsecured	357,515	196,263	-	-
	<u>398,056</u>	<u>236,711</u>	<u>-</u>	<u>-</u>
	<u>7,648,056</u>	<u>6,536,711</u>	<u>7,250,000</u>	<u>6,300,000</u>
Due after 1 year:				
Long-term loans				
- secured	108,298	128,507	-	-
- unsecured	1,360,134	552,913	-	-
	<u>1,468,432</u>	<u>681,420</u>	<u>-</u>	<u>-</u>
	<u>9,116,488</u>	<u>7,218,131</u>	<u>7,250,000</u>	<u>6,300,000</u>



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

1(b)(ii) **GROUP BORROWINGS (cont'd)**

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 4.08% to 4.31% (31/12/2006: 5.18% to 5.27%) per annum.

The long-term loans comprise:

- a 7-year bank loan of RM0.5 million, secured by a mortgage on a subsidiary's freehold land, bears interest at 8.25% (31/12/2006: 8.25%) per annum and is repayable in 84 instalments commencing January 2005;
- a 5-year unsecured bank loan of RM1.85 million, bears interest at 8.25% (31/12/2006: 8.25%) per annum and is repayable in 60 monthly instalments commencing August 2006; and
- a 10-year unsecured bank loan of RM2.5 million, bears interest at 8.25% (31/12/2006: Nil) per annum and is repayable in 120 monthly instalments commencing March 2007.

As at 30 September 2007, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$9.6 million (31/12/2006: \$7.6 million). As announced previously, the adoption of the amendments to FRS 39 *Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts* (effective from financial years beginning on or after 1 January 2006), which required the Company to measure the financial guarantees given to financial institutions for bank borrowings of its subsidiaries at fair value upon inception of the guarantees, was assessed to have no material financial impact on the Group's financial statements.



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

1(c) **STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER AND NINE MONTHS ENDED**
30 SEPTEMBER 2007

	2007	2006	2007	2006
	\$	\$	\$	\$
Cash flows from operating activities				
Profit before taxation and minority interests	1,937,586	1,013,759	5,778,365	3,698,654
Adjustments for:				
Bad trade receivables written off	138	70,988	176	81,561
Depreciation of				
- property, plant and equipment	452,629	481,969	1,392,047	1,501,795
- brooder stocks	93,939	68,506	267,110	182,387
(Gain) Loss on disposal of				
- property, plant and equipment	(16,319)	3,174	(92,103)	(21,947)
- quoted equity investment	1,032	-	1,032	-
Property, plant and equipment written off	1,116	-	1,498	-
Amortisation of product listing fees	10,202	10,202	30,606	30,606
Allowance for				
- doubtful trade receivables	72,931	66,680	500,688	104,088
- due from associate (trade)	-	10,000	-	70,000
- inventory obsolescence	30,000	-	113,000	-
Financial expenses	225,295	177,356	631,636	528,142
Financial income	(986)	(2,150)	(5,560)	(13,521)
Share of profit of associate	(18,475)	-	(18,475)	-
Operating profit before working capital changes	2,789,088	1,900,484	8,600,020	6,161,765
Increase (Decrease) in:				
Inventories	644,751	688,289	(297,471)	(2,182,594)
Trade receivables	(650,183)	229,338	(2,741,156)	448,185
Other receivables, deposits and prepayments	(166,507)	434,082	(36,926)	236,403
Due from associate (trade)	-	-	-	7,538
Increase (Decrease) in:				
Trade payables	27,680	(232,097)	943,464	2,435,179
Bills payable to banks	(713,058)	393,360	(547,446)	1,063,427
Other payables and accruals	401,817	(35,941)	259,108	(111,816)
Cash generated from operations	2,333,588	3,377,515	6,179,593	8,058,087
Payment of income tax	(380,413)	(948,157)	(948,029)	(1,146,216)
Interest paid	(220,812)	(188,091)	(632,455)	(540,365)
Net cash generated from operating activities	1,732,363	2,241,267	4,599,109	6,371,506
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(528,901)	(224,128)	(2,032,916)	(706,139)
- brooder stocks	(1,682,916)	(2,008,129)	(4,173,125)	(4,464,174)
Proceeds from disposal of				
- property, plant and equipment	16,134	20,637	130,411	111,437
- quoted equity investment	2,573	-	2,573	-
Payment for trademarks/customer acquisition costs	(3,619)	(2,783)	(27,178)	(27,468)
Investment in associate	(812,600)	-	(812,600)	-
Net cash used in investing activities	(3,009,329)	(2,214,403)	(6,912,835)	(5,086,344)



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

1(c) **STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2007 (cont'd)**

	Group		Group	
	3 months ended 30 Sep 2007	2006	9 months ended 30 Sep 2007	2006
	\$	\$	\$	\$
Cash flows from financing activities				
Proceeds from issue of new shares				
under the employees' share options scheme	624,810	-	624,810	-
Drawdown of bank term loans	832,500	-	2,342,500	300,000
Repayment of				
- finance lease obligations	(49,490)	(61,060)	(168,327)	(238,225)
- bank term loans	(58,345)	(16,643)	(446,249)	(93,654)
- loans from minority shareholders of a subsidiary	(304,376)	(17,885)	(300,266)	(293,591)
Payment of dividends to shareholders	-	-	(634,054)	(515,492)
Interest received	986	2,150	5,560	13,521
Net cash generated from (used in) financing activities	1,046,085	(93,438)	1,423,974	(827,441)
Net (decrease) increase in cash and cash equivalents	(230,881)	(66,574)	(889,752)	456,721
Cash and cash equivalents at beginning of period	4,842,025	4,858,085	5,467,328	4,335,742
Effect of exchange rate changes on cash balances held in foreign currencies	10,440	14,023	44,008	13,071
Cash and cash equivalents at end of period (Note i)	4,621,584	4,805,534	4,621,584	4,805,534

Notes to Statement of Cash Flows

(i) Cash and cash equivalents comprise:

	Group	
	30 Sep 2007	30 Sep 2006
	\$	\$
Fixed deposits	23,706	23,706
Cash and bank balances	5,849,709	4,930,666
Bank overdraft	(1,251,831)	(148,838)
	4,621,584	4,805,534

(ii) Despite higher operating profit generated for the 9 months ended 30 September 2007, the decrease in **net cash generated from operating activities** in the 3rd quarter of 2007 as well as during the first 9 months of 2007 as compared to its corresponding period in 2006 was mainly due to increase in the amount of trade receivables as a result of higher revenue registered.

Net cash used in investing activities was mainly related to the purchase of brooder stocks in Kim Kang Aquaculture Sdn Bhd and capital expenditure incurred for infrastructure and farm facilities in overseas entities.



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

Notes to Statement of Cash Flows (cont'd)

Net cash generated from financing activities during the first 9 months of 2007 was related to cash proceeds from the issuance of new sales arising from the exercise of employees' share opinions and the drawdown of additional bank loans granted by financial institutions mainly to finance capital expenditure incurred. The amount was partially offset by repayment made to minority shareholders of a subsidiary and the settlement of finance lease obligations on a monthly basis, as well as the payment of a final dividend of approximately \$634K made to shareholders in April 2007.

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

Group	Equity attributable to Shareholders of the Company				Total	Minority interests	Total Equity
	Share capital	Share premium	Accumulated profits	Translation reserve			
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 Jan 2006	12,887,293	6,110,151	21,975,143	(447,802)	40,524,785	5,169,740	45,694,525
Net loss recognised directly in equity:							
- Currency translation differences	-	-	-	(139,672)	(139,672)	(53,316)	(192,988)
Profit for the period	-	-	2,617,170	-	2,617,170	1,270,026	3,887,196
Total recognised income (expense) for the period	-	-	2,617,170	(139,672)	2,477,498	1,216,710	3,694,208
Transfer of share premium reserve to share capital [see Note (a) below]	6,110,151	(6,110,151)	-	-	-	-	-
Payment of first and final dividend	-	-	(515,492)	-	(515,492)	-	(515,492)
Balance at 31 Dec 2006	18,997,444	-	24,076,821	(587,474)	42,486,791	6,386,450	48,873,241
Net gain (loss) recognised directly in equity:							
- Currency translation differences	-	-	-	131,854	131,854	(49,024)	82,830
Profit for the period	-	-	946,524	-	946,524	286,091	1,232,615
Total recognised income for the period	-	-	946,524	131,854	1,078,378	237,067	1,315,445
Balance at 31 Mar 2007	18,997,444	-	25,023,345	(455,620)	43,565,169	6,623,517	50,188,686
Net gain recognised directly in equity:							
- Currency translation differences	-	-	-	92,728	92,728	34,606	127,334
Profit for the period	-	-	1,155,353	-	1,155,353	429,683	1,585,036
Total recognised income for the period	-	-	1,155,353	92,728	1,248,081	464,289	1,712,370
Payment of first and final dividend	-	-	(634,054)	-	(634,054)	-	(634,054)
Balance at 30 Jun 2007	18,997,444	-	25,544,644	(362,892)	44,179,196	7,087,806	51,267,002
Net loss recognised directly in equity:							
- Currency translation differences	-	-	-	(172,762)	(172,762)	(81,660)	(254,422)
Profit for the period	-	-	1,268,416	-	1,268,416	312,179	1,580,595
Total recognised income (expense) for the period	-	-	1,268,416	(172,762)	1,095,654	230,519	1,326,173
Issue of new shares [see 1(d)(ii) below]	9,720,045	-	-	-	9,720,045	-	9,720,045
Payment of special interim dividend	-	-	(9,095,235)	-	(9,095,235)	-	(9,095,235)
Balance at 30 Sep 2007	28,717,489	-	17,717,825	(535,654)	45,899,660	7,318,325	53,217,985



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

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

Company	Share capital \$	Share premium \$	Accumulated profits \$	Total \$
Balance at 1 Jan 2006	12,887,293	6,110,151	16,774,724	35,772,168
Total recognised income for the period:				
- Profit for the period	-	-	1,782,863	1,782,863
Transfer of share premium reserve to share capital [see Note (a) below]	6,110,151	(6,110,151)	-	-
Payment of first and final dividend	-	-	(515,492)	(515,492)
Balance at 31 Dec 2006	18,997,444	-	18,042,095	37,039,539
Total recognised income for the period:				
- Profit for the period	-	-	613,542	613,542
Balance at 31 Mar 2007	18,997,444	-	18,655,637	37,653,081
Total recognised income for the period:				
- Profit for the period	-	-	505,085	505,085
Payment of first and final dividend	-	-	(634,054)	(634,054)
Balance at 30 Jun 2007	18,997,444	-	18,526,668	37,524,112
Total recognised income for the period:				
- Profit for the period	-	-	1,146,581	1,146,581
Issue of new shares [see 1(d)(ii) below]	9,720,045	-	-	9,720,045
Payment of special interim dividend	-	-	(9,095,235)	(9,095,235)
Balance at 30 Sep 2007	28,717,489	-	10,578,014	39,295,503

Note (a) : In accordance with the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concepts of par value and authorized share capital were abolished and the shares of the company ceased to have a par value. The amount in the share premium reserve as at 30 January 2006 became part of the company's share capital.

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

	Number of shares	\$
Share capital		
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2007	128,872,934	18,997,444
Issue of new shares		
- Exercise of employees' share options	1,059,000	624,810
- Rights cum warrants issue (see 1(e) below)	259,863,868	9,095,235
Balance as at 30 Sep 2007	389,795,802	28,717,489



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

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

As at 30 September 2007, there were no (31/12/2006: 1,122,000) unissued ordinary shares in the Company under options granted to eligible employees of the Group, including associates of controlling shareholders of the Company, under the Qian Hu Post-IPO Share Option Scheme ("Post-IPO Scheme"). During the first 9 months of 2007, there were 1,059,000 share options exercised at \$0.59 per share pursuant to the terms of the Post-IPO Scheme, and 63,000 options were cancelled due to resignations of employees.

In addition, pursuant to the Rights cum Warrants Issue mentioned in paragraph 1(e) below, there are 64,965,868 warrants issued which are convertible into 64,965,868 new ordinary shares of the Company at an exercise price of S\$0.035 for each new ordinary share. As at 22 October 2007, 7,734,178 warrants issued were exercised by the warrant holders for 7,734,178 new ordinary shares of the Company.

1(e) **CASH DIVIDEND AND RIGHTS CUM WARRANTS ISSUE**

In accordance with the announcement made by the Board of Directors in June 2007, the following exercises (collectively "Exercise") were undertaken by the Company:-

- (a) payment of a special interim cash dividend for the financial year ending 31 December 2007 of 8.54 cents less tax of 18% (or 7.0 cents net) ("Cash Dividend") per ordinary share in the capital of the Company ("Share") in respect of Shares held by shareholders of the Company ("Shareholders") as at 20 August 2007 ("Books Closure Date"); and
- (b) adoption of a renounceable non-underwritten rights issue ("Rights Shares") at an issue price of S\$0.035 for each Rights Share, with free detachable warrants ("Warrants"), each Warrant carrying the right to subscribe for one new ordinary share in the capital of the Company ("New Share") at an exercise price of S\$0.035 for each New Share, on the basis of two Rights Shares for every one existing share in the capital of the Company held as at Books Closure Date, and one Warrant for every four Rights Shares subscribed, fractional entitlements to be disregarded (the "Rights cum Warrants Issue").

The purpose of the Cash Dividend is to reward the Shareholders for their loyalty and support to the Company over the years. With this special dividend payout, Shareholders not only enjoyed the Company's Section 44 tax credits passed on to them, but also the option to re-invest their Cash Dividend by subscribing for the Rights Shares.

The Rights cum Warrants Issue aims to strengthen the capital base of the Company following payment of the Cash Dividend. By utilizing the Cash Dividend to subscribe for the Rights cum Warrants Issue, it was in effect converting a proportionate amount of the Company's retained earnings into paid-up capital of the Company.

Based on the issued share capital of the Company on Books Closure Date of the Exercise, the aggregate amount of Cash Dividend payable was S\$9,095,235 and 259,863,868 Rights Shares and 64,965,868 Warrants were listed and quoted on SGX Main Board on 21 September 2007 and 24 September 2007 respectively. In the event that all 64,965,868 Warrants are exercised, the estimated gross proceeds arising from which will amount to approximately S\$2,273,805. There were no gross proceeds from the Rights Issue as the proceeds were set off by the Cash Dividend payout.

As and when the Warrants are exercised, proceeds arising from there may, at the discretion of the directors, be applied towards repayment of the Group's borrowings, investment purposes, working capital and/or such other purposes as the directors may deem fit.



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

1(f) **NEGATIVE ASSURANCE CONFIRMATION ON INTERIM FINANCIAL RESULTS PURSUANT TO RULE 705(4) OF THE LISTING MANUAL**

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the third quarter and 9 months ended 30 September 2007 to be false or misleading.

On behalf of the Board of Directors

KENNY YAP KIM LEE
Executive Chairman and
Managing Director

ALVIN YAP AH SENG
Deputy Managing Director

Singapore
22 October 2007

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 2006.

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>2006</u>	<u>9 months ended 30 Sep</u>	<u>2006</u>
	<u>2007</u>		<u>2007</u>	<u>2006</u>
EPS (based on consolidated net profit attributable to shareholders)				
- on weighted average number of ordinary shares on issue (cents)	0.36	0.18	0.95	0.49
- on a fully diluted basis (cents)	0.31	0.16	0.83	0.43

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 355,838,358 (30/9/2006: 354,642,710 restated for rights issue).



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

6 **EARNINGS PER ORDINARY SHARE (EPS) (cont'd)**

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 407,527,118 (30/9/2006: 406,311,471 restated for rights issue).

7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2007</u>	<u>31 Dec 2006</u>	<u>30 Sep 2007</u>	<u>31 Dec 2006</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	13.65	37.92	10.08	28.74

Net asset value per share is computed based on the number of issued shares of 389,795,802 as at 30 September 2007 (31/12/2006: 128,872,934).

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

9 months 2007 vs 9 months 2006

	<u>Group</u>		<u>Increase</u>	
	<u>2007</u>	<u>2006</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	33,733	29,508	4,225	14.3
Accessories	25,152	18,758	6,394	34.1
Plastics	8,212	7,132	1,080	15.1
	<u>67,097</u>	<u>55,398</u>	<u>11,699</u>	<u>21.1</u>

For the 9 months ended 30 September 2007, the ornamental fish and accessories activities continued to be our core activities, which together accounted for almost 88% of total revenue. Our revenue increased by approximately \$11.7 million or 21.1% from \$55.4 million for the 9 months ended 30 September 2006 to \$67.1 million for the 9 months ended 30 September 2007.

On a geographical basis, revenue from Singapore and overseas grew by 12.3% and 25.3% respectively for the 9 months ended 30 September 2007 compared to its corresponding period in 2006. The revenue from our Singapore operations has shown improvement after having been through a process of consolidation. Both the Singapore and overseas operations' constant effort in expanding our distribution network into overseas untapped markets contributed to the increased in overseas revenue.



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

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

(a) **Revenue (cont'd)**

3Q 2007 vs 3Q 2006

	Group		Increase	
	3Q 2007 \$'000	3Q 2006 \$'000	\$'000	%
Fish	11,478	10,025	1,453	14.5
Accessories	8,465	6,262	2,203	35.2
Plastics	2,745	2,683	62	2.3
	22,688	18,970	3,718	19.6

Our revenue increased by approximately \$3.7 million or 19.6% from \$19.0 million in the 3rd quarter of 2006 to \$22.7 million in the 3rd quarter of 2007. All business activities registered growth in revenue during the current quarter as compared to its corresponding period in 2006.

Fish

Dragon Fish sales continue to dominate the growth in our ornamental fish revenue in the current quarter, coupled with our continuous effort to increase our export of ornamental fish to more customers and countries around the world from Singapore, Thailand and Malaysia, have given rise to the improved ornamental fish revenue in the current quarter as compared to the corresponding period in 2006. We managed to sell more ornamental fish to newly captured export markets, which include more provinces & cities in China (for Dragon Fish), Middle East, Russia and Australia (for other ornamental fish) in the current financial year.

Accessories

As the domestic market stabilizes, more effort was channeled to explore untapped overseas markets in order to increase our accessories export from Singapore to more countries, which has accounted for approximately 55% of the overall increase in accessories revenue in the current quarter as compared to its corresponding period in 2006. In addition, our Guangzhou factory's revenue was higher on a quarter-on-quarter basis as we managed to secure more manufacturing orders from our new and existing OEM customers since the 2nd half of 2006. Our subsidiaries in Malaysia, Thailand and China also managed to expand their distribution network in those countries to capture more sales in the current financial period as compared to its corresponding period in 2006.

Plastics

Revenue from plastics activities registered a slight increase in the current quarter as compared to its corresponding period in 2006 as we managed to focus on generating revenue through selling more high value items with an enlarged products and customer base.



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

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

(a) **Revenue (cont'd)**

3Q 2007 vs 2Q 2007

	Group		Increase	
	3Q 2007 \$'000	2Q 2007 \$'000	\$'000	%
Fish	11,478	11,264	214	1.9
Accessories	8,465	8,464	1	0.0
Plastics	2,745	2,700	45	1.7
	22,688	22,428	260	1.2

Although the revenue from our accessories activities registered flat growth in the 3rd quarter of 2007, our ornamental fish and plastics revenue increased by \$0.3 million, a marginal increase in our overall revenue in the current quarter as compared to that of the previous quarter.

Fish

During the 3rd quarter of 2007, our ornamental fish export sales from Singapore and Thailand continued to generate higher revenue with more new markets. In addition, with the consistent demand for our Dragon Fish in both the domestic and overseas markets, we continue to record an increase in ornamental fish sales as comparable to that of the previous quarter.

Accessories & Plastics

Revenue from our accessories and plastics activities remained relatively consistent in the current quarter, comparable to that of the previous quarter.

(b) **Profitability**

9 months 2007 vs 9 months 2006

	Group		Increase	
	9 months ended 30 Sep		\$'000	%
	2007 \$'000	2006 \$'000	\$'000	%
Fish	5,784	4,253	1,531	36.0
Accessories	1,171	533	638	119.7
Plastics	558	442	116	26.2
Unallocated corporate expenses	(1,753)	(1,529)	(224)	14.7
	5,760	3,699	2,061	55.7

Our operating profit before taxation increased by approximately \$2.1 million or 55.7% from \$3.7 million for the 9 months ended 30 September 2006 to \$5.8 million for the 9 months ended 30 September 2007. Profit after taxation attributable to shareholders increased by 92.8% from \$1.7 million for the 9 months ended 30 September 2006 to approximately \$3.4 million for the 9 months ended 30 September 2007. Our fish business remained the main profit contributor in the current financial year.



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

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

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

3Q 2007 vs 3Q 2006

	<u>Group</u>		Increase (Decrease)	
	3Q 2007	3Q 2006	\$'000	%
Fish	1,855	1,378	477	34.6
Accessories	506	52	454	873.1
Plastics	178	179	(1)	(0.6)
Unallocated corporate expenses	(620)	(595)	(25)	4.2
	<u>1,919</u>	<u>1,014</u>	<u>905</u>	89.3

The better performance from all our business activities in the 3rd quarter of 2007 has resulted in an overall increase in operating profit by approximately \$0.9 million or 89.3% as compared to its corresponding period in 2006 with contribution mainly from our ornamental fish business.

Fish

Our operating profit from our ornamental fish business increased by \$0.5 million or 34.6% from \$1.4 million to \$1.9 million in the 3rd quarter of 2007 as compared to its corresponding period in 2006 was in line with the higher revenue recorded and better margins yielded from the sales of our self-bred Dragon Fish.

Accessories

During the current quarter, we continue to make conscientious effort to gradually revive our accessories business margin back to a respectable level. With improved revenue generated and better profit margin contributions from our export of accessories, its profitability has shown improvement. In addition, with more manufacturing orders secured, we managed to further enhance the operational efficiency of our Guangzhou factory, which has lifted the profitability of our accessories business as compared to the corresponding period in 2006.

Plastics

Operating profit from our plastics activities registered flat growth in the 3rd quarter of 2007 as compared to the corresponding period in 2006, which was in line with the stable revenue.

Unallocated corporate expenses relating to staff costs and administrative expenses incurred were in relation to the overseeing of the Group's operations both locally and overseas. The increase was in accordance with the Group's expansion into the overseas market.



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

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

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

3Q 2007 vs 2Q 2007

	<u>Group</u>		Increase (Decrease)	
	3Q 2007 \$'000	2Q 2007 \$'000	\$'000	%
Fish	1,855	2,130	(275)	(12.9)
Accessories	506	484	22	4.5
Plastics	178	190	(12)	(6.3)
Unallocated corporate expenses	(620)	(631)	11	(1.7)
	<u>1,919</u>	<u>2,173</u>	<u>(254)</u>	<u>(11.7)</u>

Fish

Despite registering a marginal increase in turnover, the operating profit from our ornamental fish activities decreased by \$0.3 million or 12.9% in the current quarter as compared the previous quarter mainly due to the difference in sales mix recorded in both quarters.

Accessories & Plastics

In line with the consistency in revenue contribution, profitability from our accessories and plastics activities remained relatively stable for both quarters.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

Our Group's future growth depends on:

- increase in our export of ornamental fish;
- escalate our export of aquarium and pet accessories;
- continuous growth of our breeding and sales of Dragon Fish;
- expand our pet accessories distribution network by leveraging on our own house-brands;
- ability to expand our distribution capabilities from owning the business to owning the customers; and
- enhance our production efficiency and research & development strengths.

The factors affecting the Group, which we have previously announced in the last quarter's results, will continue to apply in the next quarter. With the increase in revenue from our ornamental fish operations, improvement in our accessories export business, coupled with the positive contributions from our Group's overseas operations in Malaysia, Thailand and China, accordingly, we expect our Group's revenue and profit will continue to increase in FY 2007.



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

11 **DIVIDEND**

Except as disclosed in paragraph 1(e), no other interim dividend for the 9 months ended 30 September 2007 was recommended.

12 **SEGMENT INFORMATION**

(a) **Business segments**

Group	9 months ended 30 Sep 2007				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Revenue					
External revenue	33,733	25,152	8,212	-	67,097
Inter-segment revenue	6,425	10,540	112	(17,077)	-
Total Revenue	40,158	35,692	8,324	(17,077)	67,097
Results					
Segment results	6,077	1,229	559	(2)	7,863
Unallocated expenses					(1,477)
					6,386
Finance expenses - net					(626)
					5,760
Share of profit of associate					18
Profit before taxation					5,778
Taxation					(1,380)
Profit for the period					4,398
Net profit margin	18.0%	4.9%	6.8%		6.6%
Assets and Liabilities					
Assets	51,324	26,807	3,708	-	81,839
Investment in associate					831
Unallocated assets					1,276
Total Assets					83,946
Liabilities	11,759	3,289	1,585	-	16,633
Unallocated liabilities					14,095
Total Liabilities					30,728
Other Information					
Capital expenditure	5,854	447	115	-	6,416
Depreciation and amortisation	943	620	127	-	1,690
Other non-cash expenses (income)	251	285	(12)	-	524



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

12 **SEGMENT INFORMATION (cont'd)**

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

Group	9 months ended 30 Sep 2006				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Revenue					
External revenue	29,508	18,758	7,132	-	55,398
Inter-segment revenue	6,631	6,264	108	(13,003)	-
Total Revenue	36,139	25,022	7,240	(13,003)	55,398
Results					
Segment results	4,443	575	444	(132)	5,330
Unallocated expenses					(1,116)
					4,214
Financial expenses - net					(515)
Profit before taxation					3,699
Taxation					(1,109)
Profit for the period					2,590
Net profit margin	15.1%	3.1%	6.2%		4.7%
Assets and Liabilities					
Assets	42,530	25,596	3,319	-	71,445
Unallocated assets					1,373
Total Assets					72,818
Liabilities	11,202	2,479	1,324	-	15,005
Unallocated liabilities					10,423
Total Liabilities					25,428
Other Information					
Capital expenditure	4,960	193	133	-	5,286
Depreciation and amortisation	932	614	169	-	1,715
Other non-cash expenses (income)	92	143	(1)	-	234



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

12 **SEGMENT INFORMATION (cont'd)**

(b) **Geographical segments**

Group	Revenue		Assets		Capital expenditure	
	9 months ended 30 Sep		9 months ended 30 Sep		9 months ended 30 Sep	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	19,880	17,701	26,931	23,948	286	346
Other Asian countries	28,344	25,754	56,184	48,870	6,130	4,940
Europe	12,575	8,205	831	-	-	-
Others	6,298	3,738	-	-	-	-
Total	67,097	55,398	83,946	72,818	6,416	5,286

13 **BREAKDOWN OF REVENUE**

Revenue (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
3Q 2007				
Singapore (including domestic sales & sales to Singapore)	1,859	1,783	2,722	6,364
Overseas (including export to & sales in overseas)	9,619	6,682	23	16,324
Total revenue	11,478	8,465	2,745	22,688
3Q 2006				
Singapore	2,008	1,670	2,527	6,205
Overseas	8,017	4,592	156	12,765
Total revenue	10,025	6,262	2,683	18,970
9 months ended 30 Sep 2007				
Singapore (including domestic sales & sales to Singapore)	6,114	5,675	8,091	19,880
Overseas (including export to & sales in overseas)	27,619	19,477	121	47,217
Total revenue	33,733	25,152	8,212	67,097
9 months ended 30 Sep 2006				
Singapore	5,965	4,927	6,809	17,701
Overseas	23,543	13,831	323	37,697
Total revenue	29,508	18,758	7,132	55,398

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
22 October 2007