



QIAN HU CORPORATION LIMITED

UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

1(a) **STATEMENT OF PROFIT AND LOSS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2005**

	Note	Group			Group		
		3 months ended 30 Sep		Change	9 months ended 30 Sep		Change
		2005	2004		2005	2004	
		\$'000	\$'000	%	\$'000	\$'000	%
Turnover		15,997	15,709	1.8	47,967	49,968	(4.0)
Cost of sales		(9,697)	(11,202)	(13.4)	(29,953)	(32,747)	(8.5)
Gross profit		6,300	4,507	39.8	18,014	17,221	4.6
Other operating income		32	24	33.3	101	100	1.0
		6,332	4,531	39.7	18,115	17,321	4.6
Selling & distribution expenses	i	(390)	(702)	(44.4)	(1,722)	(1,841)	(6.5)
General & administration expenses	i	(4,383)	(4,490)	(2.4)	(13,291)	(12,449)	6.8
Profit (Loss) from operations	iii	1,559	(661)	335.9	3,102	3,031	2.3
Interest expenses	ii	(148)	(77)	92.2	(391)	(221)	76.9
Interest income		-	-	-	5	3	66.7
		1,411	(738)	291.2	2,716	2,813	(3.4)
Share of associates results		-	-	-	-	(66)	(100.0)
Profit (Loss) before taxation		1,411	(738)	291.2	2,716	2,747	(1.1)
Taxation	iv	(144)	(101)	42.6	(382)	(781)	(51.1)
		1,267	(839)	251.0	2,334	1,966	18.7
Minority interests		(724)	157	561.1	(840)	(485)	73.2
Net profit (loss) attributable to Members of the Company		543	(682)	179.6	1,494	1,481	0.9
Gross profit margin		39.4%	28.7%		37.6%	34.5%	
Net profit (loss) margin		3.4%	-4.3%		3.1%	3.0%	

Notes to Statement of Profit and Loss

- (i) The operating expenses incurred for the 9 months ended 30 September 2005 were relatively comparable to its corresponding period in 2004. The higher selling and distribution expenses incurred during the 3rd quarter of 2004 as compared to 2005 was mainly due to promotion costs incurred in relation to the newly set up retail chain stores throughout the region.
- (ii) The increase in interest expenses in the current quarter and the first 9 months of 2005 as compared to its corresponding period in 2004 was mainly due to interest incurred on higher bank borrowings during the period.



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Notes to Statement of Profit and Loss (cont'd)

(iii) Profit (Loss) from operations

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 30 Sep		9 months ended 30 Sep	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	17	18	53	54
- other auditors	17	3	26	8
Non-audit fees				
- auditors of the Company	12	1	17	12
- other auditors	-	-	15	-
Directors' fees				
- directors of the Company	10	15	25	15
Directors' remuneration				
- directors of the Company	170	114	497	368
- directors of subsidiaries	122	151	456	440
Amortisation of				
- trademarks/customer acquisition costs	-	11	-	33
- product listing fees	6	1	19	3
- goodwill on consolidation	-	10	-	31
Bad trade receivables written off	11	12	24	13
Depreciation of				
- property, plant and equipment	516	528	1,609	1,430
- brooder stocks	43	37	118	112
(Gain) Loss on disposal of				
- property, plant and equipment	(5)	-	(4)	(1)
- a subsidiary	-	-	-	55
Provision for				
- doubtful trade receivables	82	133	294	217
- due from associates (trade)	81	-	256	-
Operating lease expenses	341	208	948	537
Personnel expenses *	2,224	2,508	6,906	6,574
Exchange (gain) loss, net	(61)	(56)	(240)	120
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	-	-	-	(62)

* Include directors' fees and remuneration.

(iv) Taxation

The tax charge for the current quarter and for the 9 months ended 30 September 2005 was lower than the amount obtained by applying the statutory income tax rate on the profit before taxation mainly due to qualifying income enjoying concessionary tax rate from the IHQ status.

The effective tax rate of the Group would be lower, if not for losses incurred by some subsidiaries which cannot be offset against profits earned by other companies in the Group. However, these losses are available for set-off against future profits of the respective subsidiaries subject to the agreement of the revenue authorities.



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1(b)(i) BALANCE SHEETS

	Group		Company	
	30 Sep 2005	31 Dec 2004	30 Sep 2005	31 Dec 2004
	\$	\$	\$	\$
Share capital and reserves				
Share capital	12,821,124	12,821,124	12,821,124	12,821,124
Reserves	26,639,216	24,808,117	21,598,903	20,628,183
	39,460,340	37,629,241	34,420,027	33,449,307
Minority interests	5,751,738	4,760,704	-	-
	45,212,078	42,389,945	34,420,027	33,449,307
Property, plant and equipment	13,816,061	14,060,956	3,205,933	3,565,915
Brooder stocks	9,030,427	6,926,116	1,291,658	1,313,550
Investments in subsidiaries	-	-	9,881,286	9,347,890
Investments in associates	-	-	28,722	28,722
Quoted equity investments, at cost	3,704	3,564	-	-
Intangible assets	1,884,817	1,845,309	145,455	103,434
Current assets				
Inventories	22,079,238	19,909,846	5,769,711	5,211,774
Breeder stocks	1,721,800	1,721,800	245,800	245,800
Trade receivables	12,853,728	13,674,424	6,460,364	6,685,375
Other receivables, deposits and prepayments	1,780,724	1,792,476	421,238	280,184
Due from				
- subsidiaries (trade)	-	-	16,069,744	15,196,986
- subsidiaries (non-trade)	-	-	1,998,440	3,130,522
- associates (trade)	308,653	794,471	295,611	563,627
Fixed deposits	23,046	23,046	23,046	23,046
Cash and bank balances	3,624,120	4,129,912	2,379,007	2,558,016
	42,391,309	42,045,975	33,662,961	33,895,330
Current liabilities				
Trade payables	4,736,269	4,182,423	2,400,946	2,020,268
Bills payable to banks	1,608,961	1,289,428	635,080	893,716
Other payables and accruals	3,344,735	2,899,111	2,297,986	2,297,535
Due to				
- subsidiaries (trade)	-	-	433,948	80,716
- subsidiaries (non-trade)	-	-	300,000	-
- minority shareholders of subsidiaries (non-trade)	2,018,195	2,736,847	635,228	1,270,456
Finance lease obligations	293,770	320,703	118,920	133,555
Bank term loans	6,450,792	7,440,082	6,300,000	7,295,000
Provision for taxation	836,314	973,479	318,908	361,678
Bank overdraft (secured)	311,061	-	-	-
	19,600,097	19,842,073	13,441,016	14,352,924
Net current assets	22,791,212	22,203,902	20,221,945	19,542,406
Non-current liabilities				
Finance lease obligations	(253,999)	(436,572)	(119,972)	(217,610)
Bank term loans	(972,634)	(1,045,891)	-	-
Deferred taxation	(1,087,510)	(1,167,439)	(235,000)	(235,000)
	45,212,078	42,389,945	34,420,027	33,449,307



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

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2005</u>	<u>31 Dec 2004</u>	<u>30 Sep 2005</u>	<u>31 Dec 2004</u>
Inventory turnover (days)	205	162	77	69
Trade receivables turnover (days)	75	75	62	63
Debt equity ratio	0.56	0.60	0.40	0.44

Notes to Balance Sheets

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

Name	<u>Effective equity interest held by the Group</u>		<u>Cost of investment by the Company</u>	
	<u>30 Sep 2005</u>	<u>31 Dec 2004</u>	<u>30 Sep 2005</u>	<u>31 Dec 2004</u>
	%	%	\$	\$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	150,451	150,451
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Kim Kang Aquaculture Sdn Bhd and its subsidiary: (Malaysia)	65	65	7,699,891	7,699,891
- Qian Hu The Pet Family (KK) Sdn Bhd (Malaysia)	65	65	-	-
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd (formerly known as Guangzhou Wan Jiang Technology Co., Ltd) (People's Republic of China)	100 ^	80	492,859	492,859
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	-	533,396 #	-
PT Qian Hu Aquarium & Pets Indonesia (Indonesia)	55	55	475,000	475,000
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited (Thailand)	60	60	121,554	121,554
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
			<u>9,881,286</u>	<u>9,347,890</u>



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Notes to Balance Sheets (cont'd)

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

The Company has injected US\$325,000 which represents 50% of the paid up capital of Shanghai Qian Hu Aquarium and Pets Co., Ltd. The Company is committed to contribute the balance of its paid up capital (US\$325,000) by 16 December 2005.

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

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

Name	Effective equity interest held by the Group		Cost of investment by the Group	
	30 Sep 2005	31 Dec 2004	30 Sep 2005	31 Dec 2004
	%	%	\$	\$
Jin Jien Hsing Enterprise Co., Ltd (Republic of China)	50	50	28,722	28,722
PLC Pet Safari (Kuala Lumpur) Sdn Bhd (Malaysia)	- *	49	-	66,444
			28,722	95,166
Share of post-acquisition losses			(28,722)	(95,166)
			-	-

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

(3) Intangible assets comprise:

	Group		Company	
	30 Sep 2005	31 Dec 2004	30 Sep 2005	31 Dec 2004
	\$	\$	\$	\$
At cost				
- trademarks/customer acquisition costs	655,728	638,906	637,600	621,464
- product listing fees	150,103	108,342	150,103	108,342
- goodwill on consolidation	1,870,865	1,870,865	-	-
	2,676,696	2,618,113	787,703	729,806
Less accumulated amortisation	(791,879)	(772,804)	(642,248)	(626,372)
	1,884,817	1,845,309	145,455	103,434

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the acquisition of trademarks rights and existing customer base of two brands of pet food, namely "ARISTO-CATS YI HU" and "Nature's Gift".

Product listing fees relate to cost paid to third parties in relation to the entitlements to list and sell the Company's products in certain supermarkets.

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.



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Notes to Balance Sheets (cont'd)

- (4) The increase in inventory balance was due to additional purchases of Dragon Fish made at the end of September 2005 in anticipation of the increasing demand of Dragon Fish in the next quarter.
- (5) Bills payable comprise:

	Group		Company	
	30 Sep 2005	31 Dec 2004	30 Sep 2005	31 Dec 2004
	\$	\$	\$	\$
Secured	973,881	395,712	-	-
Unsecured	635,080	893,716	635,080	893,716
	<u>1,608,961</u>	<u>1,289,428</u>	<u>635,080</u>	<u>893,716</u>

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

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

1(b)(ii) GROUP BORROWINGS

	Group		Company	
	30 Sep 2005	31 Dec 2004	30 Sep 2005	31 Dec 2004
	\$	\$	\$	\$
Due within 1 year:				
- Short-term loans (unsecured)	6,300,000	7,295,000	6,300,000	7,295,000
- Long-term loans, current portion (secured)	150,792	145,082	-	-
	<u>6,450,792</u>	<u>7,440,082</u>	<u>6,300,000</u>	<u>7,295,000</u>
Due after 1 year:				
- Long-term loans (secured)	972,634	1,045,891	-	-
	<u>7,423,426</u>	<u>8,485,973</u>	<u>6,300,000</u>	<u>7,295,000</u>

The unsecured short-term loans are revolving bank loans which bear interest at rates ranging from 3.75% to 4.32% (31/12/2004: 3.13% to 3.94%) per annum.

The secured long-term loans comprise:

- an 8-year bank loan of RM2.65 million which bears interest at 7.5% (31/12/2004: 7.9%) per annum and is repayable in 96 monthly instalments commencing July 2003; and
- a 7-year bank loan of RM0.5 million which bears interest at 7.75% (31/12/2004: 7.75%) per annum and is repayable in 84 instalments commencing January 2005.

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

As at 30 September 2005, there were corporate guarantees given by the Company to banks for banking facilities extended to subsidiaries amounting to \$5.2 million (31/12/2004: \$4.0 million).



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1(c) STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2005

	Group		Group	
	3 months ended 30 Sep 2005	2004	9 months ended 30 Sep 2005	2004
	\$	\$	\$	\$
Cash flows from operating activities				
Profit (Loss) before taxation and minority interests	1,410,998	(737,381)	2,715,804	2,747,003
Adjustments for:				
Bad trade receivables written off	10,512	11,890	23,828	13,330
Depreciation of				
- property, plant and equipment	516,105	528,382	1,609,243	1,429,864
- brooder stocks	42,871	36,581	117,523	112,588
(Gain) Loss on disposal of				
- property, plant and equipment	(5,019)	-	(3,708)	(530)
- a subsidiary	-	-	-	55,221
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	-	-	-	(62,000)
Amortisation of				
- land use rights	-	-	-	328
- trademarks/customer acquisition costs	-	10,718	-	32,821
- product listing fees	5,938	1,030	19,075	3,088
- goodwill on consolidation	-	10,199	-	30,597
Provision for				
- doubtful trade receivables	82,321	133,093	293,960	217,047
- due from associates (trade)	80,906	-	256,399	-
Share of associates results	-	-	-	66,444
Interest expense	148,046	76,820	391,147	220,814
Interest income	-	-	(5,003)	(2,916)
Net effect of exchange differences	(6,141)	1,607	(21,363)	16,742
Operating profit before working capital changes	2,286,537	72,939	5,396,905	4,880,441
(Increase) decrease in:				
Inventories	(521,788)	(1,849,001)	(2,208,140)	(5,281,761)
Trade receivables	560,041	211,361	673,693	(488,403)
Other receivables, deposits and prepayments	411,549	(730,211)	46,571	(998,585)
Due from associates (trade)	(26,983)	(86,423)	85,356	(130,862)
Increase (decrease) in:				
Trade payables	(312,389)	639,729	498,589	1,583,542
Bills payable to banks	446,934	(653,827)	303,961	(912,573)
Other payables and accruals	198,560	128,974	440,822	(769,209)
Cash generated from (used in) operations	3,042,461	(2,266,459)	5,237,757	(2,117,410)
Payment of income tax	(164,602)	(382,356)	(473,662)	(967,327)
Interest paid	(152,873)	(76,048)	(391,147)	(209,561)
Net cash generated from (used in) operating activities	2,724,986	(2,724,863)	4,372,948	(3,294,298)



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1(c) **STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2005 (cont'd)**

	Group		Group	
	3 months ended 30 Sep 2005	2004	9 months ended 30 Sep 2005	2004
	\$	\$	\$	\$
Cash flows from investing activities				
Purchase of property, plant and equipment	(2,267,890)	(781,655)	(3,011,042)	(2,139,247)
Proceeds from disposal of				
- property, plant and equipment	21,330	-	58,836	312,483
- land use rights	-	-	-	89,487
Payment for trademarks/customer acquisition costs and product listing fees	(10,261)	-	(57,897)	(6,656)
Acquisition of subsidiaries (Note i)	-	-	-	(718,805)
Disposal of a subsidiary (Note ii)	-	175,557	-	152,279
Net cash used in investing activities	(2,256,821)	(606,098)	(3,010,103)	(2,310,459)
Cash flows from financing activities				
Proceeds from issuance of new shares (net)	-	-	-	54,720
Drawdown of				
- bank term loans	-	2,300,000	405,000	5,795,000
- loans from minority shareholders of subsidiaries	-	-	177,840	191,723
Repayment of				
- finance lease obligations	(118,408)	(74,583)	(306,973)	(253,108)
- bank term loans	(527,403)	(24,410)	(1,514,414)	(325,337)
- loans from minority shareholders of subsidiaries	(271,905)	(120,510)	(946,154)	(547,160)
Payment of dividends to shareholders	-	-	-	(511,183)
Interest received	-	-	5,003	2,916
Net cash (used in) generated from financing activities	(917,716)	2,080,497	(2,179,698)	4,407,571
Net decrease in cash and cash equivalents	(449,551)	(1,250,464)	(816,853)	(1,197,186)
Cash and cash equivalents at beginning of period	3,785,656	4,177,646	4,152,958	4,124,368
Cash and cash equivalents at end of period (Note iii)	3,336,105	2,927,182	3,336,105	2,927,182



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Notes to Statement of Cash Flows

(i) Acquisition of subsidiaries

The attributable assets and liabilities of the subsidiaries acquired and the cash flow effect of the acquisitions are set out as follows:-

	Group	
	9 months ended 30 Sep	
	2005	2004
	\$	\$
Property, plant and equipment acquired	-	994,183
Inventories	-	822,983
Trade receivables	-	275,200
Other receivables	-	243,715
Cash and bank balances	-	24,173
Trade payables	-	(86,928)
Other payables and accruals	-	(13,359)
Due to holding company	-	(1,156,294)
Bank term loan	-	(47,096)
	<hr/>	<hr/>
Net assets acquired	-	1,056,577
Less:		
Minority interest	-	(388,636)
Goodwill on consolidation	-	50,864
	<hr/>	<hr/>
Net cash outflow from acquisition of subsidiaries	-	718,805

(ii) Disposal of a subsidiary

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

	Group	
	9 months ended 30 Sep	
	2005	2004
	\$	\$
Other receivables	-	27,991
Due from		
- related company	-	575,557
- holding company	-	651,630
Cash and bank balances	-	23,278
	<hr/>	<hr/>
Net assets disposed	-	1,278,456
Loss on disposal of a subsidiary	-	(55,221)
	<hr/>	<hr/>
Total consideration	-	1,223,235
Less:		
Cash and bank balances disposed	-	(23,278)
Due to subsidiary	-	(647,678)
Deferred cash settlement	-	(400,000)
	<hr/>	<hr/>
Net cash proceeds from disposal of a subsidiary	-	152,279



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Notes to Statement of Cash Flows (cont'd)

(iii) Cash and cash equivalents comprise:

	Group	
	30 Sep 2005	30 Sep 2004
	\$	\$
Fixed deposits	23,046	23,046
Cash and bank balances	3,624,120	2,988,706
Bank overdraft (secured)	(311,061)	(84,570)
	<u>3,336,105</u>	<u>2,927,182</u>

(iv) There was significant improvement in the Group's **net cash generated from operating activities** on a quarter-on-quarter basis as well as for the 9 months ended 30 September 2005 as the Group managed to reduce the amount of inventory purchases and its outstanding trade debts as compared to the corresponding period in 2004. In addition, the amount of income tax paid in 2005 was lower due to lower profit recorded for the financial year ended 31 December 2004.

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

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



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

Group	Share capital \$	Share premium \$	Revenue reserve \$	Translation reserve \$	Minority interests \$	Total \$
Balance at 1 Jan 2004	10,626,847	7,281,785	18,828,755	(186,303)	4,180,208	40,731,292
Minority interest arising from acquisition of a subsidiary	-	-	-	-	388,636	388,636
Currency translation differences	-	-	-	(209,580)	(69,904)	(279,484)
Net profit for the period	-	-	1,193,586	-	81,864	1,275,450
Bonus issue of shares via capitalisation of share premium account	2,129,929	(2,129,929)	-	-	-	-
Issue of new shares	22,800	31,920	-	-	-	54,720
Balance at 31 Mar 2004	12,779,576	5,183,776	20,022,341	(395,883)	4,580,804	42,170,614
Minority interest arising from additional equity interest in a subsidiary	-	-	-	-	(199,306)	(199,306)
Currency translation differences	-	-	-	185,255	61,687	246,942
Net profit for the period	-	-	969,526	-	559,935	1,529,461
Payment of final dividend	-	-	(511,183)	-	-	(511,183)
Issue of new shares	41,548	357,316	-	-	-	398,864
Balance at 30 Jun 2004	12,821,124	5,541,092	20,480,684	(210,628)	5,003,120	43,635,392
Currency translation differences	-	-	-	(180,846)	(79,078)	(259,924)
Net loss for the period	-	-	(682,274)	-	(156,563)	(838,837)
Balance at 30 Sep 2004	12,821,124	5,541,092	19,798,410	(391,474)	4,767,479	42,536,631
Currency translation differences	-	-	-	(286,355)	(103,816)	(390,171)
Net profit for the period	-	-	146,444	-	97,041	243,485
Balance at 31 Dec 2004	12,821,124	5,541,092	19,944,854	(677,829)	4,760,704	42,389,945
Currency translation differences	-	-	-	76,191	33,998	110,189
Net profit for the period	-	-	470,717	-	98,261	568,978
Balance at 31 Mar 2005	12,821,124	5,541,092	20,415,571	(601,638)	4,892,963	43,069,112
Currency translation differences	-	-	-	138,092	63,567	201,659
Net profit for the period	-	-	479,896	-	18,048	497,944
Balance at 30 Jun 2005	12,821,124	5,541,092	20,895,467	(463,546)	4,974,578	43,768,715
Currency translation differences	-	-	-	123,417	52,773	176,190
Net profit for the period	-	-	542,786	-	724,387	1,267,173
Balance at 30 Sep 2005	12,821,124	5,541,092	21,438,253	(340,129)	5,751,738	45,212,078



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1(d)(i) STATEMENTS OF CHANGES IN EQUITY (cont'd)

Company	Share capital \$	Share premium \$	Revenue reserve \$	Total \$
Balance at 1 Jan 2004	10,626,847	7,281,785	13,559,124	31,467,756
Net profit for the period	-	-	945,232	945,232
Bonus issue of shares via capitalisation of share premium account	2,129,929	(2,129,929)	-	-
Issue of new shares	22,800	31,920	-	54,720
Balance at 31 Mar 2004	12,779,576	5,183,776	14,504,356	32,467,708
Net profit for the period	-	-	335,183	335,183
Payment of final dividend	-	-	(511,183)	(511,183)
Issue of new shares	41,548	357,316	-	398,864
Balance at 30 Jun 2004	12,821,124	5,541,092	14,328,356	32,690,572
Net profit for the period	-	-	236,755	236,755
Balance at 30 Sep 2004	12,821,124	5,541,092	14,565,111	32,927,327
Net profit for the period	-	-	521,980	521,980
Balance at 31 Dec 2004	12,821,124	5,541,092	15,087,091	33,449,307
Net profit for the period	-	-	745,455	745,455
Balance at 31 Mar 2005	12,821,124	5,541,092	15,832,546	34,194,762
Net profit for the period	-	-	144,232	144,232
Balance at 30 Jun 2005	12,821,124	5,541,092	15,976,778	34,338,994
Net profit for the period	-	-	81,033	81,033
Balance at 30 Sep 2005	12,821,124	5,541,092	16,057,811	34,420,027

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

	Number of shares	\$
Share capital		
- ordinary shares of \$0.10 each		
Issued and fully paid		
Balance as at 1 Jan 2005 and 30 Sep 2005	128,211,238	12,821,124

As at 30 September 2005, there were 1,254,000 (31/12/2004: 1,338,000) unissued ordinary shares of \$0.10 each in the Company under options granted to eligible employees of the Group, including associates of controlling shareholders of the Company, under the Qian Hu Post-IPO Share Option Scheme ("Post-IPO Scheme") at \$0.59 per share. During the first 9 months of 2005, there were no share options exercised pursuant to the terms of the Post-IPO Scheme, and 84,000 options were cancelled due to resignation of employees.

In October 2005, in accordance with the terms and conditions stipulated in the Sales and Purchase Agreement dated 20 January 2003 in relation to the acquisition of Kim Kang Aquaculture Sdn Bhd ("Kim Kang"), the Company allotted and issued 661,696 new ordinary shares of par value S\$0.10 (the "Third Tranche Consideration Shares") in equal proportions to Mr Goh Siak Ngan and Mdm Koh Guat Lee (the "Vendors") at an issue price of S\$0.96 per share on the basis that they have fulfilled their undertaking to the Company to procure certain profit contributions from Kim Kang to the Company's consolidated profit for the financial year ended 31 December 2004.



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

With the allotment of the Third Tranche Consideration Shares, the Company has allotted and issued a total of 4,000,947 new ordinary shares of par value S\$0.10 at an issue price of S\$0.96 per share and together with the payment of a cash consideration of approximately S\$3.84 million to the Vendors, the Company has thus completed its obligation in fulfilling the payment of the full consideration for the acquisition of Kim Kang.

2 **AUDIT**

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

3 **AUDITORS' REPORT**

Not applicable.

4 **ACCOUNTING POLICIES**

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

5 **CHANGES IN ACCOUNTING POLICIES**

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

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

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

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

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

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



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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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
EPS (based on consolidated net profit attributable to shareholders)				
- on weighted average number of ordinary shares				
on issue	0.42 cents	(0.53) cents	1.16 cents	1.16 cents
- on a fully diluted basis	0.42 cents	(0.53) cents	1.16 cents	1.16 cents

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 128,211,238 (30/9/2004: 127,951,434).

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 128,872,934 (30/9/2004: 128,022,433).

7 NET ASSET VALUE PER SHARE

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2005</u>	<u>31 Dec 2004</u>	<u>30 Sep 2005</u>	<u>31 Dec 2004</u>
Net asset value per share based on existing issued share capital as at the respective periods	35.26 cents	33.06 cents	26.85 cents	26.09 cents

8 REVIEW OF GROUP PERFORMANCE

(a) **Turnover**

9 months 2005 vs 9 months 2004

	<u>Group</u>		<u>Increase</u>	
	<u>9 months ended 30 Sep</u>		<u>(Decrease)</u>	
	<u>2005</u>	<u>2004</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	24,775	23,820	955	4.0
Accessories	17,858	20,928	(3,070)	(14.7)
Plastics	5,334	5,220	114	2.2
	<u>47,967</u>	<u>49,968</u>	<u>(2,001)</u>	<u>(4.0)</u>

For the 9 months ended 30 September 2005, our ornamental fish and accessories activities continued to be our core activities, which together accounted for 89% of our total turnover. Our turnover decreased by \$2 million or 4% from \$50.0 million for the 9 months ended 30 September 2004 to \$48.0 million for the 9 months ended 30 September 2005.



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

(a) Turnover (cont'd)

3Q 2005 vs 3Q 2004

	Group		Increase (Decrease)	
	3Q 2005 \$'000	3Q 2004 \$'000		
Fish	8,626	7,140	1,486	20.8
Accessories	5,564	6,704	(1,140)	(17.0)
Plastics	1,807	1,865	(58)	(3.1)
	15,997	15,709	288	1.8

Although the sales of ornamental fish increased by approximately \$1.5 million or 20.8% in the 3rd quarter of 2005, the aggregate decrease in accessories and plastics turnover by \$1.2 million has led to only a marginal increase of \$0.3 million in our overall turnover as compared to its corresponding period in 2004.

Fish

Our Dragon Fish sales continue to dominate the growth in our ornamental fish turnover 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 and Thailand, these have given rise to the improved ornamental fish turnover in the current quarter as compared to the corresponding period in 2004. This increase is partially offset by the reduction in sales of other ornamental fish recorded by our Malaysia fish division during this quarter.

Accessories

Despite the increase in turnover contributions from our newly set up retail chain stores, the lower demand from the Malaysia market which led to a reduction in our accessories sales in our Malaysia subsidiary, has resulted in a dip in accessories turnover in the 3rd quarter of 2005 as compared to its corresponding period in 2004.

Plastics

The turnover from plastics activities remained consistent in the current quarter, comparable to its corresponding period in 2004.

3Q 2005 vs 2Q 2005

	Group		Increase (Decrease)	
	3Q 2005 \$'000	2Q 2005 \$'000		
Fish	8,626	7,807	819	10.5
Accessories	5,564	6,069	(505)	(8.3)
Plastics	1,807	1,766	41	2.3
	15,997	15,642	355	2.3



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

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

3Q 2005 vs 2Q 2005 (cont'd)

Despite the increase in ornamental fish sales in the current quarter of \$0.8 million or 10.5%, the decrease in the accessories turnover by \$0.5 million or 8.3% has narrowed the increase in our overall turnover to \$0.3 million or 2.3% as compared to the previous quarter.

Fish

After the drought season in Malaysia which has caused a shortage in the supply of Dragon Fish in the previous quarter, the Dragon Fish supply resumed in the current quarter has resulted in the surge in the turnover of ornamental fish registered in the current quarter as compared to the previous quarter.

Accessories

With the domestic market stabilizes, the reduction in accessories turnover in the current quarter was mainly as a result of the lower sales of accessories products in the Malaysia market due to market competitiveness.

Plastics

Our plastics turnover recorded slight growth in the current quarter as comparable to that of the previous quarter.

(b) **Profitability**

9 months 2005 vs 9 months 2004

	<u>Group</u>		Increase (Decrease)	
	9 months ended 30 Sep			
	2005	2004	\$'000	%
	\$'000	\$'000		
Fish	2,661	3,584	(923)	(25.8)
Accessories	861	154	707	459.1
Plastics	324	234	90	38.5
Unallocated corporate expenses	(1,130)	(1,159)	29	2.5
	<u>2,716</u>	<u>2,813</u>	<u>(97)</u>	<u>(3.4)</u>

Our Group's profitability was relatively consistent on a year-on-year basis. Our fish business was the main profit contributor in 2005.



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

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

3Q 2005 vs 3Q 2004

	<u>Group</u>		Increase (Decrease)	
	3Q 2005 \$'000	3Q 2004 \$'000	\$'000	%
Fish	1,161	585	576	98.5
Accessories	415	(916)	1,331	145.3
Plastics	162	84	78	92.9
Unallocated corporate expenses	(327)	(491)	164	33.4
	<u>1,411</u>	<u>(738)</u>	<u>2,149</u>	<u>291.2</u>

Fish

The operating profit from our ornamental fish activities almost doubled in the 3rd quarter of 2005 as compared to its corresponding period in 2004 was in line with the higher sales recorded and better margins yielded from the sales of our own-bred Dragon Fish. The increase, however, was partially offset by the lower profit recorded by our Malaysia fish division due to lower sales recorded for other ornamental fish in this quarter.

Accessories

During the 3rd quarter of 2004, our accessories business incurred losses amounting to approximately \$0.9 million mainly due to operational inefficiency experienced by our Guangzhou factory as a result of its relocation and continuous expansion, coupled with the writing off of pre-operational expenses and initial operating losses incurred by our newly set up retail chain stores which commenced operations in that quarter.

Our accessories business has since turned around as there were no significant amounts of pre-operational expenses written off in 2005. In addition, the operational efficiency of our Guangzhou factory has been gradually restored since the beginning of 2005, thus resulting in better profit recorded by our accessories business in the current quarter as compared to its corresponding period in 2004.

Plastics

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

The higher unallocated corporate expenses incurred in the previous year relate to certain non-recurring expenses in relation to the Group's branding project and the transformation of the Group's activities in that year. These expenses have remained relatively stable in the current year.



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8 REVIEW OF GROUP PERFORMANCE (cont'd)

(b) Profitability (cont'd)

3Q 2005 vs 2Q 2005

	Group		Increase	
	3Q 2005 \$'000	2Q 2005 \$'000	(Decrease) \$'000	%
Fish	1,161	485	676	139.4
Accessories	415	398	17	4.3
Plastics	162	90	72	80.0
Unallocated corporate expenses	(327)	(383)	56	14.6
	<u>1,411</u>	<u>590</u>	<u>821</u>	<u>139.2</u>

The better performance from all our business activities during the current quarter has resulted in the overall increase in operating profit achieved by \$0.8 million or 139.2% as compared to the previous quarter.

Fish

Our operating profit from the ornamental fish business improved significantly in the 3rd quarter of 2005 as compared to the previous quarter mainly as a result of higher Dragon Fish sales (which yielded better margins) in the current quarter as the supply of Dragon Fish resumed in the current quarter after the drought season in Malaysia.

Accessories

Despite registering a lower turnover in the current quarter, the operating profit registered by our accessories business was approximately \$0.4 million in the past two quarters (2Q & 3Q 2005) due to the operational efficiency achieved by our Guangzhou factory during the current quarter. In addition, the improvement in contributions from our retail chain stores has resulted in better profitability registered in the current quarter.

Plastics

Operating profit from our plastics activities continued to experience slight growth in the current quarter as compared to the previous quarter as we managed to focus on generating sales through selling more high value items with better yield.

9 VARIANCE FROM PROSPECT STATEMENT

Not applicable.

10 PROSPECTS

Our Group's future growth depends on:

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



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10 PROSPECTS (cont'd)

The factors affecting our Group, which we have previously announced in the last quarter's results, are expected to continue to apply in the next quarter. In view of the expansion process, the continuous experimentation and gestation period required for our retail chain stores to be profitable, we expect our Group to remain profitable in Year 2005 despite possible fluctuations in our operating profit from quarter to quarter.

11 DIVIDEND

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

12 SEGMENT INFORMATION

(a) **Business segments**

Group	9 months ended 30 Sep 2005				Total \$'000
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	
Turnover					
External sales	24,775	17,858	5,334	-	47,967
Inter-segment sales	5,173	5,563	117	(10,853)	-
Total sales	29,948	23,421	5,451	(10,853)	47,967
Results					
Segment results	2,778	898	327	(5)	3,998
Unallocated expenses					(896)
					3,102
Financial expenses - net					(386)
Taxation					(382)
Minority interests					(840)
Net profit for the period					1,494
Net profit margin	11.2%	5.0%	6.1%		3.1%
Assets and liabilities					
Assets	37,158	25,021	3,097	-	65,276
Unallocated assets					1,850
Total assets					67,126
Liabilities	7,609	2,678	1,053	-	11,340
Unallocated liabilities					10,574
Total liabilities					21,914
Other Information					
Capital expenditure	2,550	475	75	-	3,100
Depreciation and amortisation	830	643	273	-	1,746
Other non-cash expenses (income)	432	41	97	-	570



QIAN HU CORPORATION LIMITED

12 SEGMENT INFORMATION (cont'd)

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

Group	9 months ended 30 Sep 2004				Total \$'000
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	
Turnover					
External sales	23,820	20,928	5,220	-	49,968
Inter-segment sales	3,872	4,343	114	(8,329)	-
Total sales	27,692	25,271	5,334	(8,329)	49,968
Results					
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)
Net profit for the period					1,481
Net profit margin	15.4%	1.1%	4.5%		3.0%
Assets and liabilities					
Assets	31,867	26,762	3,838	-	62,467
Unallocated assets					879
Total assets					63,346
Liabilities	6,677	3,675	1,224	-	11,576
Unallocated liabilities					9,234
Total liabilities					20,810
Other Information					
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)

(b) Geographical segments

Group	Turnover		Assets		Capital expenditure	
	9 months ended 30 Sep		9 months ended 30 Sep		9 months ended 30 Sep	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	16,023	18,002	23,333	23,234	198	211
Other Asian countries	22,088	23,135	43,793	40,112	2,902	2,042
Europe	7,011	6,714	-	-	-	-
Others	2,845	2,117	-	-	-	-
Total	47,967	49,968	67,126	63,346	3,100	2,253

13 BREAKDOWN OF SALES

Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
3Q 2005				
Singapore (including domestic sales & sales to Singapore)	1,832	1,473	1,753	5,058
Overseas (including export to & sales in overseas)	6,794	4,091	54	10,939
Total sales	8,626	5,564	1,807	15,997
3Q 2004				
Singapore	1,771	2,892	1,863	6,526
Overseas	5,369	3,812	2	9,183
Total sales	7,140	6,704	1,865	15,709
9 months ended 30 Sep 2005				
Singapore (including domestic sales & sales to Singapore)	5,824	4,981	5,218	16,023
Overseas (including export to & sales in overseas)	18,951	12,877	116	31,944
Total sales	24,775	17,858	5,334	47,967
9 months ended 30 Sep 2004				
Singapore	5,701	7,169	5,132	18,002
Overseas	18,119	13,759	88	31,966
Total sales	23,820	20,928	5,220	49,968

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
24/10/2005