QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

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QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT AND LOSS FOR THE FOURTH QUARTER AND FINANICAL YEAR ENDED 31 DECEMBER 2006**

		2006 $'000	2005 $'000	Change %	2006 $'000	2005 $'000	Change %
Turnover		20,713	18,300	13.2	76,111	66,267	14.9
Cost of sales		(13,282)	(12,617)	5.3	(49,138)	(42,570)	15.4
Gross profit		7,431	5,683	30.8	26,973	23,697	13.8
Other operating income	i	5	4	25.0	168	105	60.0
		7,436	5,687	30.8	27,141	23,802	14.0
Selling & distribution expenses	ii	(610)	(380)	60.5	(2,480)	(2,102)	18.0
General & administration expenses	ii	(5,039)	(3,811)	32.2	(18,660)	(17,102)	9.1
Profit from operations	iii	1,787	1,496	19.5	6,001	4,598	30.5
Interest expenses	iv	(178)	(125)	42.4	(706)	(516)	36.8
Interest income		3	1	200.0	16	6	166.7
		1,612	1,372	17.5	5,311	4,088	29.9
Share of associates results		-	-	-	-	-	-
Profit before taxation		1,612	1,372	17.5	5,311	4,088	29.9
Taxation	v	(315)	(779)	(59.6)	(1,424)	(1,161)	22.7
Profit for the period/year		1,297	593	118.7	3,887	2,927	32.8
Attributable to:							
Shareholders of the Company		**869**	**536**	**62.1**	**2,617**	**2,030**	**28.9**
Minority interests		428	57	650.9	1,270	897	41.6
		1,297	593	118.7	3,887	2,927	32.8
Gross profit margin		35.9%	31.1%		35.4%	35.8%	
Net profit margin		4.2%	2.9%		3.4%	3.1%	
Return on equity		-	-		6.2%	5.0%	

NM: Not Meaningful

Notes to Statement of Profit and Loss

(i) Other operating income

The amount of other operating income earned in the current financial year was relatively consistent as compared to that of FY 2005. Other operating income was lower in FY 2005 mainly due to losses amounting to $30,088 incurred on disposal of a subsidiary, PT Qian Hu Aquarium and Pets Indonesia.

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

(ii) **Selling & distribution expenses**
General & administration expenses

The increase in operating expenses in the 4th quarter of 2006 and in the current year as compared to 2005 was mainly due to higher personnel expenses incurred. This was in line with the expansion of the Group's operations.

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Auditors' remuneration				
- auditors of the Company	24	13	80	66
- other auditors	14	-	23	16
Non-audit fees				
- auditors of the Company	4	6	25	23
- other auditors	-	20	-	35
Directors' fees				
- directors of the Company	10	5	36	30
Directors' remuneration				
- directors of the Company	199	165	697	662
- directors of subsidiaries	239	146	621	602
Amortisation of				
- trademarks/customer acquisition costs	-	3	-	3
- product listing fees	13	16	44	35
Bad trade receivables written (back) off	(1)	-	81	24
Depreciation of				
- property, plant and equipment	497	537	1,999	2,146
- brooder stocks	81	48	263	166
Property, plant and equipment written off	-	1	-	1
Loss (Gain) on disposal of				
- property, plant and equipment	19	16	(3)	12
- subsidiaries	-	30	-	30
Allowance (Write back) for				
- doubtful trade receivables	191	(34)	295	260
- due from associates (trade)	-	108	70	364
Operating lease expenses	331	135	1,294	1,083
Personnel expenses *	2,673	2,087	10,083	8,993
Exchange (gain) loss, net	(116)	43	(293)	(197)

* Included directors' remuneration.

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

(iv) **Interest expenses**

The increase in interest expenses in the 4th quarter of 2006 and for the year ended 31 December 2006 was mainly due to interest incurred on additional bank borrowings during the financial year. In addition, the interest rates charged by financial institutions on the borrowings were higher in FY 2006 than that of FY 2005.

(v) **Taxation**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Current tax				
- current year	(52)	126	1,020	870
- (over) under provision in respect of prior year	-	(10)	37	(385)
Deferred tax				
- current year	703	407	703	407
- (over) under provision in respect of prior year	(336)	256	(336)	269
	315	779	1,424	1,161

Despite applying the concessionary tax rate of 10% from the Company's IHQ status on its qualifying income in both years, 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.

As at 31 December 2006, the Group has unutilised tax losses and unabsorbed capital allowances of approximately $4,634,132 (2005: $2,898,581) and $412,255 (2005: $385,908) respectively available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate. The potential deferred tax assets have not been recognised in the financial statements because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

1(b) **BALANCE SHEETS**

	Note	Group		Company	
		31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
		$	$	$	$
Equity attributable to Shareholders of the Company					
Share capital	i	18,997,444	12,887,293	18,997,444	12,887,293
Reserves		23,489,347	27,637,492	18,042,095	22,884,875
		42,486,791	**40,524,785**	**37,039,539**	**35,772,168**
Minority interests		6,386,450	5,169,740	-	-
Total Equity		**48,873,241**	**45,694,525**	**37,039,539**	**35,772,168**
Non-current assets					
Property, plant and equipment		11,490,339	12,665,599	2,809,722	3,199,783
Brooder stocks	ii	15,279,911	9,961,895	1,255,170	1,284,360
Investments in subsidiaries	iii	-	-	11,152,586	9,959,406
Investment in associate	iv	-	-	-	28,722
Quoted equity investments		3,597	3,647	-	-
Intangible assets	v	1,913,459	1,896,283	174,389	157,213
Current assets					
Inventories	vi	21,647,322	20,208,130	5,919,631	5,444,297
Breeder stocks		1,721,800	1,721,800	245,800	245,800
Trade receivables	vii	15,913,049	15,125,859	7,962,236	7,306,059
Other receivables, deposits and prepayments	viii	1,751,825	1,799,382	276,147	334,633
Due from					
- subsidiaries (trade)		-	-	16,002,851	16,213,014
- subsidiaries (non-trade)		-	-	2,703,720	2,235,930
- associate (trade)		-	264,614	-	264,614
Fixed deposits		23,706	23,046	23,706	23,046
Cash and bank balances		5,617,192	4,750,282	3,677,172	2,852,125
		46,674,894	43,893,113	36,811,263	34,919,518
Current liabilities					
Trade payables		6,007,592	4,465,515	3,267,276	2,304,616
Bills payable to banks	ix	5,156,871	2,710,354	1,188,399	1,240,704
Other payables and accruals	x	3,746,860	3,510,623	2,913,118	2,501,206
Due to					
- subsidiaries (trade)		-	-	81,885	340,605
- subsidiaries (non-trade)		-	-	690,000	410,000
- minority shareholders of subsidiaries (non-trade)		1,146,569	1,252,430	-	-
Finance lease obligations	xi	181,723	260,852	79,676	119,496
Bank term loans	xii	6,536,711	6,360,808	6,300,000	6,200,000
Provision for taxation		643,738	850,689	360,087	324,827
Bank overdraft	ix	173,570	437,586	-	-
		23,593,634	19,848,857	14,880,441	13,441,454
Net current assets		23,081,260	24,044,256	21,930,822	21,478,064
Non-current liabilities					
Finance lease obligations	xi	(108,724)	(214,008)	(48,150)	(100,380)
Bank term loans	xii	(681,420)	(906,307)	-	-
Deferred taxation		(2,105,181)	(1,756,840)	(235,000)	(235,000)
Net Assets		**48,873,241**	**45,694,525**	**37,039,539**	**35,772,168**

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

	Group		Company	
	31 Dec 2006	**31 Dec 2005**	**31 Dec 2006**	**31 Dec 2005**
Inventory turnover (days)	168	187	74	77
Trade receivables turnover (days)	74	79	68	68
Debt equity ratio	0.54	0.50	0.41	0.39

Notes to Balance Sheets

(i) Share capital

	Number of shares	$
Share capital		
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2006	128,872,934	12,887,293
Transfer of share premium reserve to share capital	-	6,110,151
Balance as at 31 Dec 2006	128,872,934	18,997,444

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.

As at 31 December 2006, there were 1,122,000 (2005: 1,218,000) 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 financial year, there were no share options exercised pursuant to the terms of the Post-IPO Scheme, and 96,000 (2005: 120,000) options were cancelled due to resignation of employees.

(ii) Brooder stocks

	Group		Company	
	31 Dec 2006	**31 Dec 2005**	**31 Dec 2006**	**31 Dec 2005**
	$	$	$	$
Cost				
Balance as at 1 Jan	10,523,332	7,316,075	1,459,500	1,459,500
Additions during the year	5,698,991	3,071,688	-	-
Translation differences	(123,039)	135,569	-	-
Balance as at 31 Dec	16,099,284	10,523,332	1,459,500	1,459,500
Accumulated depreciation and impairment losses				
Balance as at 1 Jan	561,437	389,959	175,140	145,950
Depreciation charge for the year	263,180	165,830	29,190	29,190
Translation differences	(5,244)	5,648	-	-
Balance as at 31 Dec	819,373	561,437	204,330	175,140
Net carrying value				
Balance as at 31 Dec	15,279,911	9,961,895	1,255,170	1,284,360

Notes to Balance Sheets (cont'd)

(ii) Brooder stocks (cont'd)

The brooder stocks are parent stocks of Dragon Fish, held by the Group and the Company for the use in the breeding of Dragon Fish. Due to the uniqueness of each Dragon Fish and as an active market does not exist for the brooder stocks, the brooder stocks are stated at cost less accumulated depreciation and any impairment loss.

(iii) Investments in subsidiaries

Name	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
	%	%	$	$
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 (People's Republic of China)	100	100	1,686,039 #	492,859
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	9,959,406

\# Additional investment made to increase the paid up capital of the company to US$1 million.

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

Notes to Balance Sheets (cont'd)

(iv) Investment in associate

Name	Effective equity interest held by the Company		Cost of investment by the Company	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
	%	%	$	$
Jin Jien Hsing Enterprise Co., Ltd (Republic of China)	- *	50	-	28,722
			-	28,722
Share of post-acquisition losses			-	(28,722)
			-	-

* The Company disposed of its entire equity interest in August 2006.

(v) Intangible assets

	Group		Company	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
	$	$	$	$
Trademarks/customer acquisition costs	700,996	673,770	683,392	655,924
Product listing fees	196,153	162,863	196,153	162,863
Goodwill on consolidation	1,739,070	1,870,865	-	-
Less elimination of accumulated amortisation	-	(131,795)	-	-
	1,739,070	1,739,070	-	-
	2,636,219	2,575,703	879,545	818,787
Less accumulated amortisation	(722,760)	(679,420)	(705,156)	(661,574)
	1,913,459	1,896,283	174,389	157,213

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. Accordingly, the carrying amount as at 1 January 2005 was no longer amortised, but is now subject 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.

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* on 1 January 2005, the Group discontinued amortisation of goodwill on consolidation. The remaining goodwill balance is subject to annual impairment testing.

Notes to Balance Sheets (cont'd)

(vi) Inventories

	Group		Company	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
	$	$	$	$
Fish	8,024,510	6,907,068	2,213,171	2,292,445
Accessories	13,329,875	13,103,720	4,036,779	3,482,171
Finished goods - plastic products	504,244	413,224	-	-
Raw materials - plastic products	212,802	208,227	-	-
	22,071,431	20,632,239	6,249,950	5,774,616
Less allowance for inventory obsolescence	(424,109)	(424,109)	(330,319)	(330,319)
	21,647,322	20,208,130	5,919,631	5,444,297

The increase in inventory balance was mainly due to additional purchases of Dragon Fish made in anticipation of the continuous increase in demand of Dragon Fish in the coming year. Accordingly, it has resulted in the increase in trade payables and bills payable as at 31 December 2006.

(vii) Trade receivables

	Group		Company	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
	$	$	$	$
Trade receivables	17,435,551	16,217,578	9,193,501	8,120,935
Less allowance for doubtful trade receivables	(1,522,502)	(1,091,719)	(1,231,265)	(814,876)
	15,913,049	15,125,859	7,962,236	7,306,059

(viii) Other receivables, deposits and prepayments

	Group		Company	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
	$	$	$	$
Other receivables	379,278	584,436	103,121	196,465
Deposits	474,194	426,399	61,635	65,995
Prepayments	417,594	285,044	111,391	72,173
Advances to employees	15,474	3,502	-	-
Advances to suppliers	309,897	-	-	-
Tax recoverable	155,388	500,001	-	-
	1,751,825	1,799,382	276,147	334,633

Notes to Balance Sheets (cont'd)

(ix) Bills payable and bank overdraft

	Group		Company	
Bills payable to banks	**31 Dec 2006**	**31 Dec 2005**	**31 Dec 2006**	**31 Dec 2005**
	$	$	$	$
Secured	-	1,469,650	-	-
Unsecured	5,156,871	1,240,704	1,188,399	1,240,704
	5,156,871	2,710,354	1,188,399	1,240,704

The bills payable and bank overdraft as at 31 December 2005 were secured by a mortgage on a subsidiary's freehold land. The mortgage had been discharged during 2006.

(x) Other payables and accruals

	Group		Company	
	31 Dec 2006	**31 Dec 2005**	**31 Dec 2006**	**31 Dec 2005**
	$	$	$	$
Accrued operating expenses	1,728,522	1,520,602	1,153,458	1,039,661
Other payables	2,018,338	1,990,021	1,759,660	1,461,545
	3,746,860	3,510,623	2,913,118	2,501,206

(xi) Finance lease obligations

Group			
	Payments	**Interest**	**Principal**
31 Dec 2006	$	$	$
Payable:			
After 1 year but within 5 years	126,026	(17,302)	108,724
Within 1 year	210,598	(28,875)	181,723
	336,624	(46,177)	290,447
31 Dec 2005			
Payable:			
After 1 year but within 5 years	253,580	(39,572)	214,008
Within 1 year	305,669	(44,817)	260,852
	559,249	(84,389)	474,860

Notes to Balance Sheets (cont'd)

(xi) Finance lease obligations (cont'd)

Company

	Payments	Interest	Principal
31 Dec 2006	$	$	$
Payable:			
After 1 year but within 5 years	56,710	(8,560)	48,150
Within 1 year	95,665	(15,989)	79,676
	152,375	(24,549)	127,826
31 Dec 2005			
Payable:			
After 1 year but within 5 years	121,254	(20,874)	100,380
Within 1 year	144,408	(24,912)	119,496
	265,662	(45,786)	219,876

(xii) Bank term loans

	Group		Company	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
	$	$	$	$
Due within 1 year:				
Short term loans (unsecured)	6,300,000	6,200,000	6,300,000	6,200,000
Long-term loans, current portion				
- secured	40,448	160,808	-	-
- unsecured	196,263	-	-	-
	236,711	160,808	-	-
	6,536,711	6,360,808	6,300,000	6,200,000
Due after 1 year:				
Long-term loans				
- secured	128,507	906,307	-	-
- unsecured	552,913	-	-	-
	681,420	906,307	-	-
	7,218,131	7,267,115	6,300,000	6,200,000

The unsecured short-term loans are revolving bank loans which bear interest at rates ranging from 5.18% to 5.27% (2005: 3.81% to 5.31%) 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% (2005: 7.75%) per annum and is repayable in 84 instalments commencing January 2005; and
- a 5-year unsecured bank loan of RM1.85 million, bears interest at 8.25% per annum and is repayable in 60 monthly instalments commencing August 2006. The loan was to refinance the 8-year secured bank loan of RM2.65 million which bore interest at 8.25% (2005: 7.5%) per annum.

As at 31 December 2006, there were corporate guarantees given by the Company to banks for banking facilities extended to subsidiaries amounting to $7.6 million (2005: $5.1 million). Please refer to paragraph 5 on the fair value of corporate guarantees.

QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2006	2005	2006	2005
	$	$	$	$
Cash flows from operating activities				
Profit before taxation and minority interests	1,612,804	1,372,534	5,311,458	4,088,338
Adjustments for:				
Bad trade receivables written (back) off	(257)	367	81,304	24,195
Depreciation of				
- property, plant and equipment	496,992	536,647	1,998,787	2,145,890
- brooder stocks	80,793	48,307	263,180	165,830
Property, plant and equipment written off	-	1,059	-	1,059
Loss (Gain) on disposal of				
- property, plant and equipment	19,175	15,643	(2,772)	11,935
- subsidiaries	-	30,088	-	30,088
Amortisation of				
- trademarks/customer acquisition costs	-	2,870	-	2,870
- product listing fees	12,976	16,127	43,582	35,202
Allowance (Write back) for				
- doubtful trade receivables	190,792	(34,075)	294,880	259,885
- due from associates (trade)	-	107,682	70,000	364,081
Interest expenses	177,383	125,210	705,525	516,357
Interest income	(2,387)	(1,081)	(15,908)	(6,084)
Net effect of exchange differences	684	29,478	13,755	8,115
Operating profit before working capital changes	2,588,955	2,250,856	8,763,791	7,647,761
Decrease (Increase) in:				
Inventories	772,985	1,987,933	(1,410,609)	(220,207)
Trade receivables	(1,501,599)	(2,846,132)	(1,053,414)	(2,172,439)
Other receivables, deposits and prepayments	(174,622)	2,072	61,781	48,643
Due from associates (trade)	-	3,912	7,538	89,268
(Decrease) Increase in:				
Trade payables	(888,273)	(171,926)	1,546,906	326,663
Bills payable to banks	1,403,040	1,107,805	2,466,467	1,411,766
Other payables and accruals	368,219	178,314	256,403	619,136
Cash generated from operations	2,568,705	2,512,834	10,638,863	7,750,591
Payment of income tax	(117,081)	(76,239)	(1,263,297)	(549,901)
Interest paid	(182,657)	(109,909)	(723,022)	(501,056)
Net cash generated from operating activities	2,268,967	2,326,686	8,652,544	6,699,634

1(c) **STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2006 (cont'd)**

	Group		Group	
	3 months ended 31 Dec		Financial year ended 31 Dec	
	2006	2005	2006	2005
	$	$	$	$
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(241,548)	(635,534)	(947,687)	(1,645,607)
- brooder stocks	(1,234,817)	(1,070,719)	(5,698,991)	(3,071,688)
Proceeds from disposal of				
property, plant and equipment	(3,259)	195,263	108,178	254,099
Payment for				
- trademarks/customer acquisition costs	-	(18,324)	(27,468)	(34,460)
- product listing fees	(33,290)	(12,760)	(33,290)	(54,521)
Disposal of a subsidiary (Note i)	-	509,265	-	509,265
Net cash used in investing activities	(1,512,914)	(1,032,809)	(6,599,258)	(4,042,912)
Cash flows from financing activities				
Drawdown of				
- bank term loans	-	-	300,000	405,000
- loans from minority shareholders of subsidiaries	-	-	-	177,840
Repayment of				
- finance lease obligations	(60,534)	(75,288)	(298,759)	(382,261)
- bank term loans	(240,844)	(137,013)	(334,498)	(1,651,427)
- loans from minority shareholders of subsidiaries	204,732	(83,020)	(88,859)	(1,029,174)
Payment of dividends to shareholders	-	-	(515,492)	-
Interest received	2,387	1,081	15,908	6,084
Net cash used in financing activities	(94,259)	(294,240)	(921,700)	(2,473,938)
Net increase in cash and cash equivalents	661,794	999,637	1,131,586	182,784
Cash and cash equivalents at beginning of period/year	4,805,534	3,336,105	4,335,742	4,152,958
Cash and cash equivalents at end of period/year (Note ii)	5,467,328	4,335,742	5,467,328	4,335,742

Notes to Statement of Cash Flows

(i) Disposal of a subsidiary

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

	Group	
	Financial year ended 31 Dec	
	2006	2005
	$	$
Property, plant and equipment	-	908,800
Inventories	-	192,203
Trade receivables	-	408,911
Other receivables	-	58,678
Due from related companies	-	66,093
Cash and bank balances	-	46,352
Trade payables	-	(82,165)
Other payables	-	(23,555)
Due to minority shareholders	-	(205,017)
Net assets disposed	-	1,370,300
Less: Minority interest	-	(616,635)
	-	753,665
Loss on disposal of a subsidiary	-	(30,088)
Total consideration	-	723,577
Less:		
Cash and bank balances disposed	-	(46,352)
Due from a subsidiary	-	(82,786)
Deferred cash settlement	-	(85,174)
Net cash inflow from disposal of a subsidiary	-	509,265

(ii) Cash and cash equivalents comprise:

	Group	
	31 Dec 2006	31 Dec 2005
	$	$
Fixed deposits	23,706	23,046
Cash and bank balances	5,617,192	4,750,282
Bank overdraft	(173,570)	(437,586)
	5,467,328	4,335,742

Notes to Statement of Cash Flows (cont'd)

(iii) The Group's **net cash generated from operating activities** for the year ended 31 December 2006 improved significantly as we have generated higher operating profit during the current year as compared to FY 2005. In addition, we were able to better manage our cash flow by securing better credit terms from our regular suppliers for purchases made.

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 both in Singapore and overseas entities.

Net cash used in financing activities was for loan repayment made to minority shareholders of a subsidiary and the settlement of finance lease obligations on a monthly basis. In addition, a final dividend payment approximating $515K was made to shareholders in April 2006.

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1(d) STATEMENT OF CHANGES IN EQUITY

Group	Equity attributable to Shareholders of the Company						
	Share capital $	Share premium $	Accumulated profits $	Translation reserve $	Total $	Minority interests $	Total Equity $
Balance at 1 Jan 2005	12,821,124	5,541,092	19,944,854	(677,829)	37,629,241	4,760,704	42,389,945
Minority interest relating to disposal of a subsidiary	-	-	-	-	-	(616,635)	(616,635)
Currency translation differences	-	-	-	230,027	230,027	128,255	358,282
Net gain (loss) recognised directly in equity	-	-	-	230,027	230,027	(488,380)	(258,353)
Profit for the year	-	-	2,030,289	-	2,030,289	897,416	2,927,705
Total recognised income and expenses for the year	-	-	2,030,289	230,027	2,260,316	409,036	2,669,352
Issue of new shares	66,169	569,059	-	-	635,228	-	635,228
Balance at 31 Dec 2005	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	-	-	-	(54,377)	(54,377)	(15,803)	(70,180)
Profit for the period	-	-	521,539	-	521,539	284,324	805,863
Total recognised income and expenses for the period	-	-	521,539	(54,377)	467,162	268,521	735,683
Transfer of share premium reserve to share capital [see Note (a)]	6,110,151	(6,110,151)	-	-	-	-	-
Balance at 31 Mar 2006	18,997,444	-	22,496,682	(502,179)	40,991,947	5,438,261	46,430,208
Net loss recognised directly in equity: - Currency translation differences	-	-	-	(109,929)	(109,929)	(52,501)	(162,430)
Profit for the period	-	-	594,564	-	594,564	395,614	990,178
Total recognised income and expenses for the period	-	-	594,564	(109,929)	484,635	343,113	827,748
Payment of first and final dividend	-	-	(515,492)	-	(515,492)	-	(515,492)
Balance at 30 Jun 2006	18,997,444	-	22,575,754	(612,108)	40,961,090	5,781,374	46,742,464
Net loss recognised directly in equity: - Currency translation differences	-	-	-	(99,503)	(99,503)	(47,187)	(146,690)
Profit for the period	-	-	631,666	-	631,666	161,723	793,389
Total recognised income and expenses for the period	-	-	631,666	(99,503)	532,163	114,536	646,699
Balance at 30 Sep 2006	18,997,444	-	23,207,420	(711,611)	41,493,253	5,895,910	47,389,163
Net gain recognised directly in equity: - Currency translation differences	-	-	-	124,137	124,137	62,175	186,312
Profit for the period	-	-	869,401	-	869,401	428,365	1,297,766
Total recognised income and expenses for the period	-	-	869,401	124,137	993,538	490,540	1,484,078
Balance at 31 Dec 2006	18,997,444	-	24,076,821	(587,474)	42,486,791	6,386,450	48,873,241

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

Company	Share capital $	Share premium $	Accumulated profits $	Total $
Balance at 1 Jan 2005	12,821,124	5,541,092	15,087,091	33,449,307
Total recognised income and expenses for the year:				
- Profit for the year	-	-	1,687,633	1,687,633
Issue of new shares	66,169	569,059	-	635,228
Balance at 31 Dec 2005	12,887,293	6,110,151	16,774,724	35,772,168
Total recognised income and expenses for the period:				
- Profit for the period	-	-	491,033	491,033
Transfer of share premium reserve to share capital [see Note (a) above]	6,110,151	(6,110,151)	-	-
Balance at 31 Mar 2006	18,997,444	-	17,265,757	36,263,201
Total recognised income and expenses for the period:				
- Profit for the period	-	-	479,554	479,554
Payment of first and final dividend	-	-	(515,492)	(515,492)
Balance at 30 Jun 2006	18,997,444	-	17,229,819	36,227,263
Total recognised income and expenses for the period:				
- Profit for the period	-	-	469,026	469,026
Balance at 30 Sep 2006	18,997,444	-	17,698,845	36,696,289
Total recognised income and expenses for the period:				
- Profit for the period	-	-	343,250	343,250
Balance at 31 Dec 2006	18,997,444	-	18,042,095	37,039,539

2 **AUDIT**

The full year financial statements have been audited by the Company's auditors.

3 **AUDITORS' REPORT**

See attached auditors' report.

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 2005.

5 CHANGES IN ACCOUNTING POLICIES

The amendments to FRS 39 *Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts,* which took effect from financial years beginning on or after 1 January 2006, require the Company to measure the financial guarantees given to banks for bank borrowings of its subsidiaries at fair value upon inception of the guarantees. These guarantees are subsequently measured at the higher of their initial fair values less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. Previously, these financial guarantees were accounted for as contingent liabilities whereby a loss was recognised only if it is probable that it would be incurred.

The adoption of the amendments to FRS 39 is assessed to have no material financial impact on the results and the opening balance of the accumulated profits of the Company for the year ended 31 December 2006. This change has no impact to the Group's financial statements.

6 EARNINGS PER ORDINARY SHARE (EPS)

	Group 3 months ended 31 Dec		Group Financial year ended 31 Dec	
	2006	**2005**	**2006**	**2005**
EPS (based on consolidated net profit attributable to shareholders)				
- on weighted average number of ordinary shares on issue (cents)	0.67	0.42	2.03	1.58
- on a fully diluted basis (cents)	0.67	0.42	2.03	1.58

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the financial year of 128,872,934 (2005: 128,345,390).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the financial year adjusted to assume conversion of all potential dilutive ordinary shares of 128,872,934 (2005: 128,345,390).

7 NET ASSET VALUE PER SHARE

	Group		Company	
	31 Dec 2006	**31 Dec 2005**	**31 Dec 2006**	**31 Dec 2005**
Net asset value per share based on existing issued share capital as at the respective dates (cents)	37.92	35.46	28.74	27.76

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Turnover**

Financial year 2006 vs financial year 2005

	Group			
	Financial year ended 31 Dec			
	2006	2005	Increase	
	$'000	$'000	$'000	%
Fish	39,598	33,461	6,137	18.3
Accessories	26,581	25,635	946	3.7
Plastics	9,932	7,171	2,761	38.5
	76,111	66,267	9,844	14.9

For the year ended 31 December 2006, our ornamental fish and accessories activities continued to be our core activities, which together accounted for more than 85% of our total turnover. Our turnover increased approximately by $9.8 million or 14.9% from $66.3 million for the year ended 31 December 2005 to $76.1 million for the year ended 31 December 2006.

On a geographical basis, turnover from Singapore and overseas grew by 14.6% and 15.0% respectively in FY2006 as compared to FY2005. The turnover 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 turnover.

4Q 2006 vs 4Q 2005

	Group			
	4Q	4Q		
	2006	2005	Increase	
	$'000	$'000	$'000	%
Fish	10,090	8,686	1,404	16.2
Accessories	7,823	7,777	46	0.6
Plastics	2,800	1,837	963	52.4
	20,713	18,300	2,413	13.2

Our turnover increased by approximately $2.4 million or 13.2% from $18.3 million in the 4th quarter of 2005 to $20.7 million in the 4th quarter of 2006. All business activities registered growth in turnover during the current quarter as compared to its corresponding period in 2005.

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, has given rise to the improved ornamental fish turnover in the current quarter as compared to the corresponding period in 2005. This increase is partially offset by the reduction in sales contributions from PT Qian Hu Aquarium & Pets Indonesia, which the Group disposed of in December 2005.

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

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

4Q 2006 vs 4Q 2005 (cont'd)

Accessories
With more effort channeled to secure untapped overseas markets, our accessories export sales have increased by approximately $0.8 million in the current quarter as compared to its corresponding period in 2005. However, the increase was offset by lower production orders received and delivered from the Guangzhou factory in the current quarter as compared to exceptionally high sales recorded in the 4th quarter of 2005.

The marginal increase in accessories turnover in the 4th quarter of 2006 as compared to its corresponding period in 2005 was due to sales contributions from our retail chain stores.

Plastics
Turnover from plastics activities surged $0.9 million or 52.4% in the current quarter as compared to its corresponding period in 2005 as we managed to focus on generating sales through selling more high value items and expanding our distribution channel and customer base.

4Q 2006 vs 3Q 2006

	Group		Increase	
	4Q 2006 $'000	3Q 2006 $'000	$'000	%
Fish	10,090	10,025	65	0.6
Accessories	7,823	6,262	1,561	24.9
Plastics	2,800	2,683	117	4.4
	20,713	18,970	1,743	9.2

Fish
During the 4th quarter of 2006, with the reliable source of demand for our Dragon Fish in both the domestic and overseas markets, we continue to record an increase in ornamental fish sales as compared to that of the previous quarter.

Accessories
As the domestic market stabilizes, the increase in accessories turnover in the current quarter was mainly as a result of better sales contributions from our retail chain stores in Malaysia and Thailand as well as the higher turnover from our export sales. In addition, our Guangzhou factory's sales were higher in the 4th quarter of 2006 as compared to that of the previous quarter as we managed to secure more manufacturing orders from new and existing OEM customers.

Plastics
Our turnover from the plastics business is experiencing steady growth in the current quarter as compared to that of the previous quarter with an enlarged products and customer base.

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

(b) **Profitability**

Financial year 2006 vs financial year 2005

	Group		Increase (Decrease)	
	Financial year ended 31 Dec			
	2006	2005		
	$'000	$'000	$'000	%
Fish	5,879	4,433	1,446	32.6
Accessories	588	572	16	2.8
Plastics	636	430	206	47.9
Unallocated corporate expenses	(1,792)	(1,347)	(445)	(33.0)
	5,311	4,088	1,223	29.9

The better performance from all our business activities in 2006 has resulted in the overall increase in operating profit (before taxation and minority interests) achieved by $1.2 million or 29.9% as compared to the previous year. Profit after taxation attributable to shareholders increased by 28.9% from $2.0 million in FY 2005 to approximately $2.6 million in FY 2006. Our fish business remained the main profit contributor in Year 2006.

4Q 2006 vs 4Q 2005

	Group		Increase (Decrease)	
	4Q	4Q		
	2006	2005		
	$'000	$'000	$'000	%
Fish	1,626	1,772	(146)	(8.2)
Accessories	55	(289)	344	119.0
Plastics	194	106	88	83.0
Unallocated corporate expenses	(263)	(217)	(46)	(21.2)
	1,612	1,372	240	17.5

Fish
Despite registering an increase in turnover, the operating profit from our ornamental fish activities decreased by $0.1 million or 8.2% in the current quarter as compared to its corresponding period in 2005 was mainly due to the difference in sales mix recorded in both quarters.

Accessories
Although the accessories sales has remained relatively stable for both periods, the better profit contribution from the accessories business was that we managed to secure more export sales, which yielded good margins, during the current quarter as compared to its corresponding period in 2005.

Plastics
Operating profit from our plastics activities continued to record promising growth on a quarter-on-quarter basis which was in line with the significant improvement in turnover.

The amount of unallocated corporate expenses, which relate to staff costs and administrative expenses incurred in relation to the overseeing of the Group's operations both locally and overseas, remained relatively stable for both periods.

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

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

4Q 2006 vs 3Q 2006

	Group		Increase (Decrease)	
	4Q 2006 $'000	3Q 2006 $'000	$'000	%
Fish	1,626	1,378	248	18.0
Accessories	55	52	3	5.8
Plastics	194	179	15	8.4
Unallocated corporate expenses	(263)	(595)	332	55.8
	1,612	1,014	598	59.0

Fish
Despite registering flat growth in turnover, the operating profit from our ornamental fish activities increased by $0.25 million or 18.0% in the current quarter as compared to the previous quarter due to better margins yielded from the sales of our self-bred Dragon Fish.

Accessories
Although with a higher turnover from our Guangzhou factory, our accessories business registered a marginal profit as a result of our conscientious effort made to reduce our inventory level which has affected the profitability of our accessories business during the quarter as compared to its previous quarter.

Plastics
Operating profit from our plastics activities continued to experience growth in the current quarter as compared to the previous quarter as we managed to focus on generating more sales through an enlarged customer base as mentioned earlier.

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 & aquarium accessories;
- continuous growth of our breeding and sales of Dragon Fish;
- expansion of 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 efficiency and ability in manufacturing accessories products.

10 **PROSPECTS (cont'd)**

Increase in our export of ornamental fish and aquarium accessories

Ornamental fish will continue to be an important core business activity of our Group. We are the only ornamental fish company in the world which is able to supply ornamental fish from four countries, namely Singapore, Malaysia, Thailand, and China. By exporting more fish to more customers and countries all over the world, while continue to expand the domestic distribution network of ornamental fish in the four countries mentioned above, we believe that there will be a positive contribution to our ornamental fish turnover moving forward.

In addition, like our ornamental fish business, we are increasing our export of our "Ocean Free" brand *(named the No.1 aquarium accessories brand in Singapore by Euromonitor)* of aquarium accessories products to more countries in the world. Currently, we export these aquarium accessories products to Philippines, Brunei, Australia, New Zealand, Japan, Turkey, Germany, United Kingdom, the Netherlands, etc.

Continuous growth of our breeding and sales of Dragon Fish

China is a huge market for Dragon Fish, so is Taiwan and Japan. Based on the improved sales recorded in FY 2006, we envisage that our Dragon Fish sales will continue to increase in the coming years. Our collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish has enabled us to increase the production of Dragon Fish in our farms, and hence, enhance our Group's ability to meet the future growth in demand of Dragon Fish. Our "Qian Hu" Dragon Fish is increasing regarded as a premium brand in Northeast China.

Expansion of pet accessories distribution network by leveraging on our own house-brands

In view of the ever-growing pet (e.g. dogs, cats and small animals, etc) market all over the world, we will accelerate our pace of distribution of pet accessories worldwide from Singapore as well as through our overseas subsidiaries by leveraging on our own house-brands, namely "BARK" and "Nature's Gift" for dogs' accessories products; "ARISTO-CATS YI HU" for cats' accessories products and "Delikate" for small animals' accessories. We envisage that the pet accessories distribution business will grow to become a significant business activity within the Group in the future.

Ability to expand our distribution capabilities from owning the business to owning the customers

In a process of professionalizing a highly fragmented ornamental fish and aquarium & pets accessories retail market, we have set up 12 *"Qian Hu – The Pet Family"* retail chain stores throughout the region as at 31 December 2006, which provide better services, a wider product range in a visually-stimulating shopping environment, and thereby offering hobbyists and customers a different and more enjoyable shopping experience. We will continue to set up more of these retail chain stores in the future, especially in Malaysia.

In addition, we are enhancing our presence in China by increasing our distribution points in the country for our Dragon Fish and accessories products. The number of distribution points will continue to grow in Year 2007 as we intend to increase the number of our distribution agents in China to more than 100.

Enhance efficiency and ability in manufacturing accessories products

In order to capture a larger extent within the value chain as well as to build up our own brand of accessories products, our Group has increased the production capacity of our Guangzhou factory, which produces aquarium accessories products for our suppliers, our subsidiaries and our customers. With the increasing demand supported by our subsidiaries' distribution network in four countries and with more of our suppliers and new customers from other parts of the world engaging our factory to produce their aquarium products (OEM), we are able to enhance our factory's production efficiency and hence, further increase the turnover and profit contributions from our Guangzhou factory.

10 **PROSPECTS (cont'd)**

With the steady performance from our Singapore operations, coupled with the positive contributions from our Group's overseas operations in Malaysia, Thailand and China, accordingly, we expect our Group's turnover and profit will continue to increase in Year 2007.

11 **RISK FACTORS AND RISK MANAGEMENT**

Business risk

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds is uncommon. We have institutionalized a comprehensive health management and quarantine system for all our domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for our fishes. Currently, all our domestic and overseas fish operations have attained ISO 9002 certification.

Operational risk

Operational risk is the potential loss caused by a breakdown in internal process, deficiencies in people and management, or operational failure arising from external events. The operational risk management process is to minimise unexpected losses and manage expected losses. Our Group currently operates in four countries with assets and activities spreading across the Asia Pacific. As at 31 December 2006, 66% of our Group's assets are located overseas as compared to 65% in FY 2005. Turnover from our overseas' customers constitute 68% of the total turnover in FY 2006.

In view of our Group's expansion plan, the percentage of its overseas assets and activities will continue to increase moving forward, thereby the effect of greater geographical diversification. Hence, a boarder base of significant customers reduces the risk of concentration in a single operation.

Product risk

For the year ended 31 December 2006, our Dragon Fish sales contributed approximately 25% of our Group total turnover. We sell over 500 species and varieties of ornamental fishes to more than 65 countries and are not reliant on the sale of any particular type or specimen of fish.

Investment risk

Our Group grows businesses through organic growth of our existing activities, development of new capabilities (e.g. setting up retail chain stores) and through acquisitions of operating business entities. Investment activities are evaluated through performing of due diligence exercise and are supported by external professionals' advices. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.

Foreign exchange risk

The foreign exchange risk of our Group arises from sales, purchases and borrowings that are denominated in foreign currencies. The currencies giving rise to this risk are primarily US dollar, Euro and Japanese Yen.

Our Group does not have any formal hedging policy against foreign exchange fluctuations. However, we continuously monitor the exchange rates of the major currencies and enter into hedging contracts with banks from time to time whenever the management detect any movements in the respective exchange rates which may impact on the Group's profitability.

11 **RISK FACTORS AND RISK MANAGEMENT (cont'd)**

Foreign exchange risk (cont'd)

Foreign currencies received are kept in foreign currencies accounts and are converted to the respective measurement currencies of the group companies on a need-to basis so as to minimise the foreign exchange exposure.

Credit risk

Credit risk is managed through the application of credit approvals, setting credit limits and monitoring procedures.

None of our customers or supplies contributes more than 5% of our Group's turnover and purchases. It is our Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. Cash terms, advance payments are required for customers with lower credit standing. While our Group faces the normal business risks associated with ageing collections, we have adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Accordingly, our Group does not expect to incur material credit losses on its risk management or other financial instruments.

Interest rate risk

Our Group's cash balances are placed with reputable banks and financial institutions. Additional financing are obtained through bank borrowings and finance lease arrangements. Our Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Liquidity risk

The objective of liquidity management is to ensure that our Group has sufficient funds to meet its contractual and financial obligations. To manage liquidity risk, our Group monitors its net operating cashflow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows.

Derivative financial instrument risk

Our Group does not hold or issue derivative financial instruments for trading purposes.

12 **DIVIDEND**

(a) **Present period**

Name of dividend	First & final
Dividend type	Cash
Dividend rate	0.6 cents per ordinary share (less tax)
Tax rate	20.0%

(b) **Previous corresponding period**

Name of dividend	First & final
Dividend type	Cash
Dividend rate	0.5 cents per ordinary share (less tax)
Tax rate	20.0%

(c) **Total annual dividend**

	Latest year ($'000)	Previous year ($'000)
Ordinary	619	515
Preference	-	-
Total:	619	515

(d) **Date payable**

Subject to shareholders' approval in the Annual General Meeting to be held on 19 March 2007, the dividends will be paid on 11 April 2007.

(e) **Books closure date**

Registrable Transfers received by the Company's Registrar, M&C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5 pm on 27 March 2007 will be registered before entitlements to the proposed dividend are determined. The Register of Transfer and the Register of Members of the Company will be closed on 28 March 2007 for the payment of dividend.

QIAN HU CORPORATION LIMITED
(Company Registration No. : 199806124N)

13 SEGMENT INFORMATION

(a) Business segments

	Financial year ended 31 Dec 2006				
	Fish	**Accessories**	**Plastics**	**Eliminations**	**Total**
Group	$'000	$'000	$'000	$'000	$'000
Turnover					
External turnover	39,598	26,581	9,932	-	76,111
Inter-segment turnover	8,291	10,279	144	(18,714)	-
Total turnover	47,889	36,860	10,076	(18,714)	76,111
Results					
Segment results	6,150	642	638	(84)	7,346
Unallocated expenses					(1,345)
					6,001
Financial expenses - net					(690)
Profit before taxation					5,311
Taxation					(1,424)
Profit for the year					3,887
Net profit margin	**15.5%**	**2.4%**	**6.4%**		
Assets and liabilities					
Assets	43,427	26,464	3,644	-	73,535
Unallocated assets					1,827
Total assets					75,362
Liabilities	11,631	2,928	1,653	-	16,212
Unallocated liabilities					10,277
Total liabilities					26,489
Other Information					
Capital expenditure	6,345	274	143	-	6,762
Depreciation and amortisation	1,256	838	212	-	2,306
Other non-cash expenses	199	240	4	-	443

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

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

	Financial year ended 31 Dec 2005				
	Fish	**Accessories**	**Plastics**	**Eliminations**	**Total**
Group	$'000	$'000	$'000	$'000	$'000
Turnover					
External turnover	33,461	25,635	7,171	-	66,267
Inter-segment turnover	6,678	7,393	154	(14,225)	-
Total turnover	40,139	33,028	7,325	(14,225)	66,267
Results					
Segment results	4,593	621	434	134	5,782
Unallocated expenses					(1,184)
					4,598
Financial expenses - net					(510)
Profit before taxaton					4,088
Taxation					(1,161)
Profit for the year					2,927
Net profit margin	**13.7%**	**2.4%**	**6.1%**		
Assets and liabilities					
Assets	36,781	26,283	3,152	-	66,216
Unallocated assets					2,205
Total assets					68,421
Liabilities	8,098	2,803	1,119	-	12,020
Unallocated liabilities					10,706
Total liabilities					22,726
Other Information					
Capital expenditure	3,902	673	78	-	4,653
Depreciation and amortisation	1,074	923	353	-	2,350
Other non-cash expenses	541	39	111	-	691

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

(b) **Geographical segments**

Group	Turnover Financial year ended 31 Dec 2006 $'000	Turnover Financial year ended 31 Dec 2005 $'000	Assets Financial year ended 31 Dec 2006 $'000	Assets Financial year ended 31 Dec 2005 $'000	Capital expenditure Financial year ended 31 Dec 2006 $'000	Capital expenditure Financial year ended 31 Dec 2005 $'000
Singapore	24,147	21,079	25,987	24,262	381	281
Other asian countries	35,061	30,496	49,375	44,159	6,381	4,372
Europe	12,636	11,547	-	-	-	-
Others	4,267	3,145	-	-	-	-
Total	76,111	66,267	75,362	68,421	6,762	4,653

14 **BREAKDOWN OF SALES**

Turnover (Group)	Fish $'000	Accessories $'000	Plastics $'000	Total $'000
4Q 2006				
Singapore (including domestic sales & sales to Singapore)	1,991	1,703	2,752	6,446
Overseas (including export to & sales in overseas)	8,099	6,120	48	14,267
Total sales	10,090	7,823	2,800	20,713
4Q 2005				
Singapore	1,730	1,570	1,755	5,055
Overseas	6,956	6,207	82	13,245
Total sales	8,686	7,777	1,837	18,300

Turnover (Group)	Fish $'000	Accessories $'000	Plastics $'000	Total $'000
Financial year ended 31 Dec 2006				
Singapore (including domestic sales & sales to Singapore)	7,956	6,630	9,561	24,147
Overseas (including export to & sales in overseas)	31,642	19,951	371	51,964
Total sales	39,598	26,581	9,932	76,111
Financial year ended 31 Dec 2005				
Singapore	7,555	6,551	6,973	21,079
Overseas	25,906	19,084	198	45,188
Total sales	33,461	25,635	7,171	66,267

15 **QUARTERLY ANALYSIS**

	2006	2005	Change
	$'000	$'000	%
Turnover			
1st Quarter	18,139	16,328	11.1
2nd Quarter	18,289	15,642	16.9
3rd Quarter	18,970	15,997	18.6
4th Quarter	20,713	18,300	13.2
	76,111	66,267	14.9
Profit before taxation			
1st Quarter	1,088	715	52.2
2nd Quarter	1,597	590	170.7
3rd Quarter	1,014	1,411	(28.1)
4th Quarter	1,612	1,372	17.5
	5,311	4,088	29.9
Profit after taxation and minority interests			
1st Quarter	522	471	10.8
2nd Quarter	594	480	23.8
3rd Quarter	632	543	16.4
4th Quarter	869	536	62.1
	2,617	2,030	28.9

- **Turnover**

  Following the consolidation process in both the domestic (Singapore) and Malaysia markets for the ornamental fish and accessories products, our Group's turnover grew steadily in 2006.

  Ornamental fish business accounted for more than 60% of the increase in current year's turnover. Our continuous effort in increasing our export market for ornamental fish to more customers and more countries around the world, coupled with the rising demand of Dragon Fish during the year, has resulted in the improved turnover.

- **Profitability**

  The increase in our Group's overall profitability during the year was due to:

  - increase in sales of our self-bred Dragon Fish with better margin yield;
  - increase in export sales of both ornamental fish and accessories;
  - more production orders received by our Guangzhou factory which led to the improvement in operational efficiency; and
  - improved profitability from our retail chain stores throughout the region.

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
15/01/2007

Independent Auditors' Report
To the Members of Qian Hu Corporation Limited

We have audited the accompanying financial statements of Qian Hu Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 69, which comprise the balance sheets of the Group and the Company as at 31 December 2006, the profit and loss accounts and statements of changes in equity of the Group and the Company, and the statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet, profit and loss account and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006, the results and changes in equity of the Group and Company and cash flows of the Group for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young

ERNST & YOUNG
Certified Public Accountants

Singapore
15 January 2007