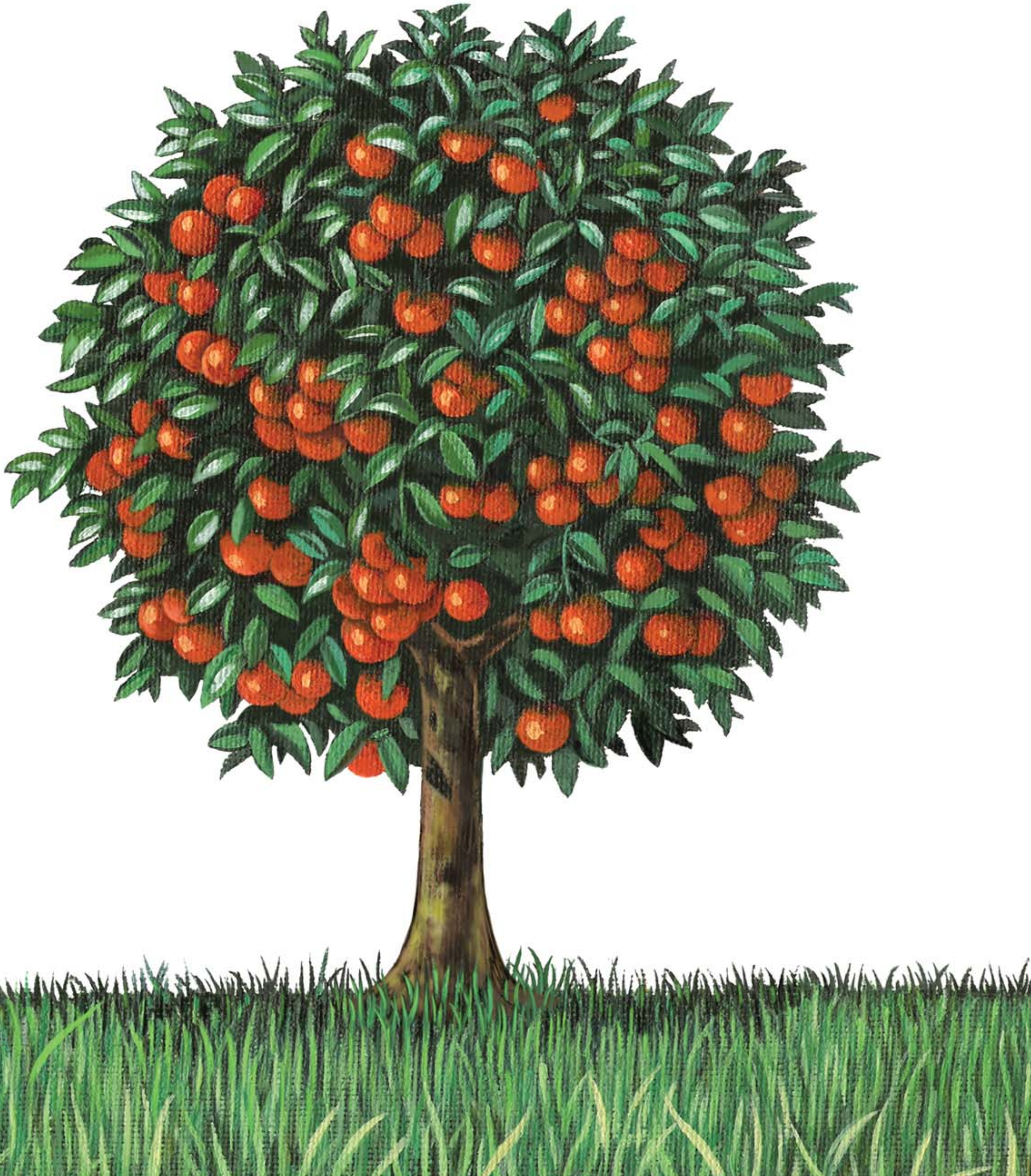
Budding Opportunities

QIAN HU CORPORATION LIMITED
ANNUAL REPORT 2006



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Budding Opportunities

In 2004, Qian Hu took a leap of faith by developing a brand-new retail chain store business as part of its long-term strategy to forward integrate its traditional businesses of ornamental fish export and distribution and manufacturing of aquarium accessories. The Group endured a painful yet absolutely essential phase of pruning its business model, continually focusing on securing its long-term growth in spite of short-term pain.

A Healthy Tree

In nature, pruning is absolutely essential in order to enhance the aesthetics of a tree or shrub. It involves the removal of non-essential parts of the plant which no longer fits with the overall direction of the plant's growth.

Pruning is necessary as the plant needs all the energy to be channeled to the right parts for growth such as the development of flowers which will turn to fruits, as well as its general health needs.

From the time Qian Hu was listed in 2000 to 2003, Qian Hu had enjoyed phenomenal growth rate. In the three years after its listing, our Group's turnover and net profit achieved compounded annual growth rates of 28.1% and 47.8% respectively. In 2001, we established our Guangzhou plant which produces aquarium and pet accessories, and expanded our distribution hub in Thailand through our subsidiary Thai Qian Hu. Two years after our listing, we moved on to the Mainboard of the Singapore Exchange in November 2002. In the following year, we acquired a leading Dragon Fish breeder in Malaysia to secure the supply of the highly-prized Asian Arowana, our star product to this day. In addition, we continued to set up distribution hubs in China such as Beijing, Guangzhou and Shanghai.

Over the years, our commitment to excellence won us a string of awards such as the Most Transparent Companies Awards; Most Admired Company on SESDAQ; Best Overall Investor Relations, Best Annual Report and Best Small Companies by various organisations in Singapore and Asia.

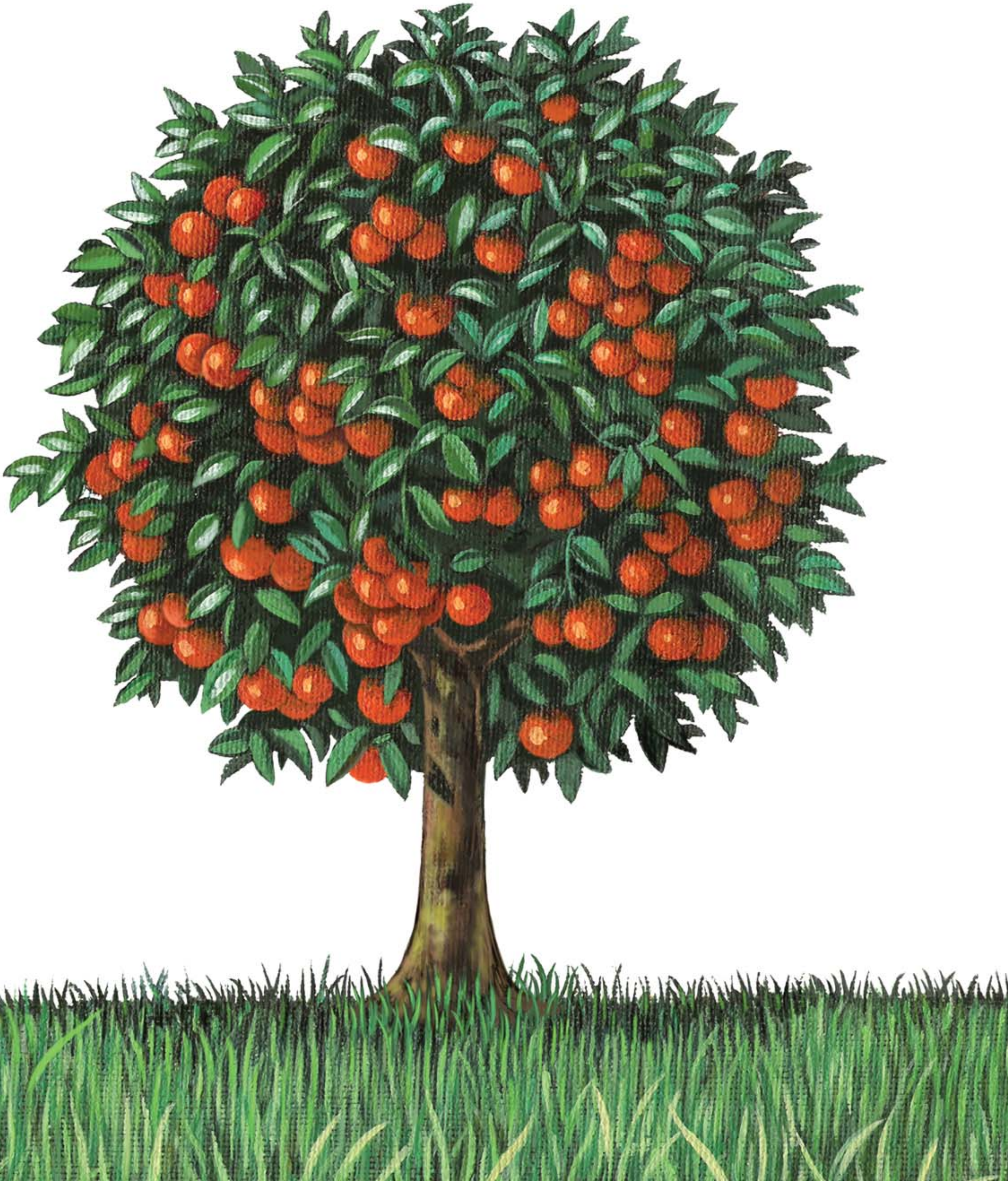
Pruning – Essential for Sustaining Growth

Pruning has to be done correctly in order to achieve success. The best time to prune is during late winter before growth begins because a great amount of food is stored in roots and stems to fuel new growth before new leaves develop.

2004 was a strategically critical year for Qian Hu as we took the bold step of launching into the retail space throughout Asia. Brand-named "Qian Hu - The Pet Family", these retail chain stores sell both ornamental fish and related aquarium and pet accessories and provide pet grooming services.

As at 31 December 2006, the Group has a total of 12 chain stores in Malaysia, Thailand and China. The process of professionalising a highly-fragmented retail market through this strategy offers customers better services and a wider product range within a visually-stimulating shopping environment. This will take a longer gestation period to conclude results, but it is an extremely essential strategic move in order to secure Qian Hu's future.

Like pruning, we had to make the painful decision to cut away our old mindsets - the traditional way of distributing, which had made great contributions to our growth. Pruning often means enduring short-term wounds and momentary pains to assure our long-term sustainability.



The Emergence of A Bud

You know that the painful effect of pruning is over when buds begin to emerge. According to horticulturists, the arrangements of the buds determine the plant's growth path as these determine the direction in which the new shoots will grow.

In FY 2005, the Group managed to generate a net operating cash flow of $6.7 million compared to a negative operating cash flow position in FY 2004 when things were still pretty raw from pruning. This we managed to do through our strategy of reducing inventory to generate more cash so as to reduce our gearing.

In FY 2006, we experienced growth in all of our core activities – ornamental fish distribution, Dragon Fish sales, accessories manufacturing, retail chain stores business and plastics production. Led by strong growth from our operations in Singapore, Malaysia, Thailand and China, our Group's turnover grew 14.9% to $76.1 million whilst net profit attributable to shareholders of the Company jumped 28.9% to $2.6 million.

Sales of ornamental fish, including the Asian Arowana or Dragon Fish, increased by 18.3% to $39.6 million whilst the turnover from aquarium and pet accessories, which includes the Group's 12 retail chain stores, rose 3.7% to $26.6 million. Revenue from plastics manufacturing surged 38.5% to $9.9 million due to a strategy to focus on higher-value products and to expand its distribution channels and customer base.

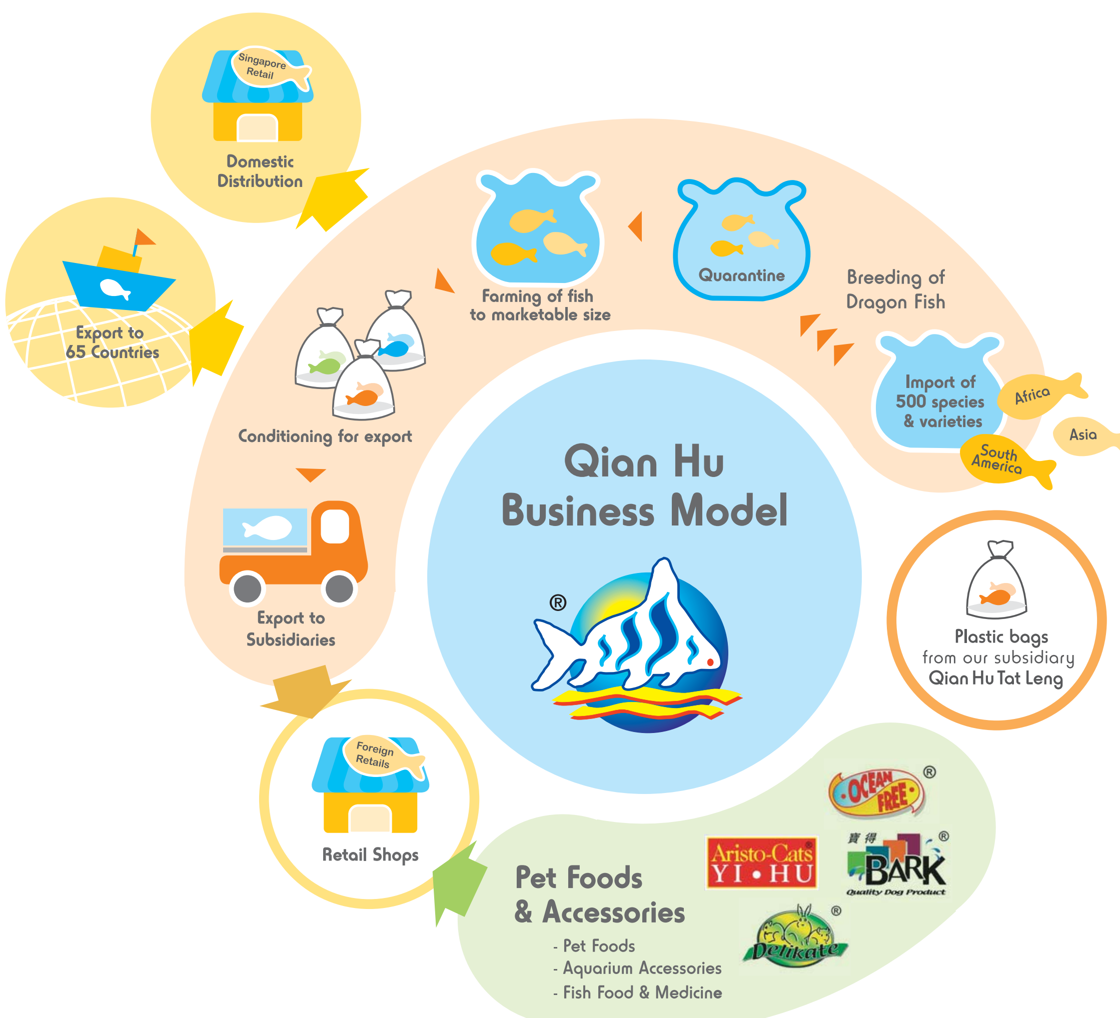
Already, we have seen our growth plans beginning to bud. Hopefully, we'll be able to see these buds blossom and bear fruits, thereby elevating Qian Hu to higher ground.

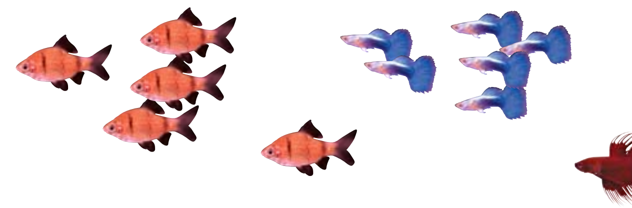
The Mighty Dragon
(Osteoglossidae Scleropages),
also known as the Asian
Arowana, is highly-prized
in Asia, particularly in the
mammoth markets of China,
Taiwan and Japan.
Our research venture with
Temasek Life Sciences
Laboratory in Singapore will
ensure our ability to meet
rising demand for
this prehistoric fish.

Our Business Model

Qian Hu's business model has been, and will always be, exportable, expandable and scalable. With our humble beginnings as a breeder of guppies, Qian Hu has, over the years, become an integrated ornamental fish service provider.

Qian Hu is differentiated from the rest of the competition in terms of our integrated services, distribution network, manufacturing capabilities, and most importantly, our commitment to excellence, innovative and superlative service culture throughout the Group.





Distribution & Export

of more than 500 species and varieties of ornamental fish all over the world, placing Singapore on the world map as the top exporter for a number of years.

Breeding of Dragon Fish

Regarded as a premium brand in Northeast China, our Dragon Fish is also highly popular in other parts of Asia such as Taiwan and Japan. Our research tie-up with Temasek Life Sciences Laboratory will help to increase production and meet future growth in demand.

Manufacturing & Wholesale Distribution

of aquarium and pet accessories and foods. The increased production capacity in our Guangzhou factory will help meet rising demand from Qian Hu's network in Singapore, Malaysia, Thailand and China as well as new OEM customers from around the world.

Retail

of a wide range of ornamental fish, aquarium & pet accessories, pet foods, fish food and medicines under "Qian Hu - The Pet Family" brand of chain stores which integrates all of our core activities plus added-value services such as pet grooming services in selected stores.

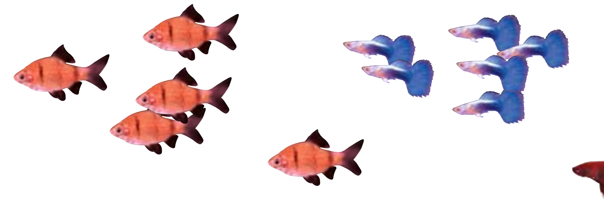
Plastics

Based in Woodlands, our plastics manufacturing facility produces plastic bags for use in a wide variety of industries.

Ornamental Fish Export

Singapore is the top exporter of ornamental fish in the world, with a 20% share in the world market – some 72 countries around the world with major markets in North America, Europe and Japan.

Singapore's standing as the leading supplier of ornamental fish, remains, as it has been since the 1950s, at the very top of the list. Even in the face of economic downturns and growing competition from other countries such as Malaysia, the Czech Republic and Sri Lanka, Singapore has managed to increase its export of ornamental fish from $90.9 million in 2005 to $98.6 million in 2006. Singapore is also the world's largest producer of farm-bred ornamental fish, with 144.5 million fish worth $45 million produced right here in the island-nation.



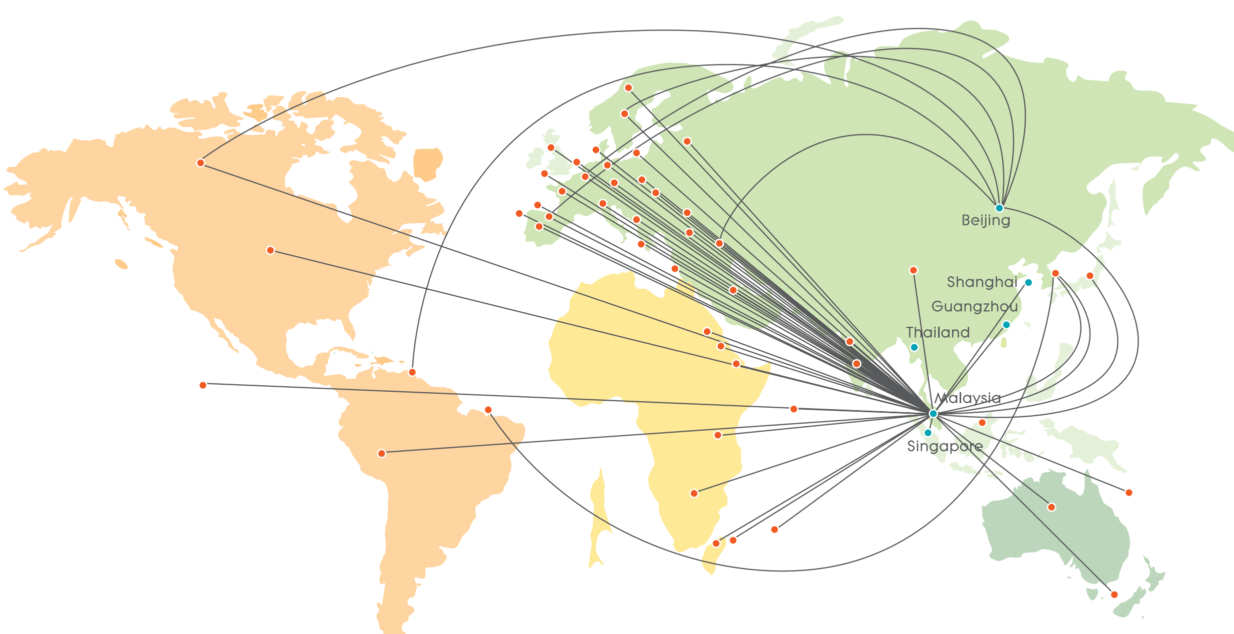
Not only is it reputed as the "Ornamental Fish Capital of the World", Singapore is also renowned for its "One-Stop-Shop" services catering to the global ornamental fish industry. Exporters deal with 500 varieties and species of ornamental fish, buying from the local farms as well as those in the region and beyond for re-export.

There are currently 68 ornamental fish farms occupying 155 hectares in the Agrotechnology Parks producing mainly guppy and other Poecilids, discus, goldfish, Tetra, and Dragon Fish.

However, Qian Hu is the only ornamental fish company in the world to be able to export fish from 4 countries in Asia – Singapore, Malaysia, Thailand and China. We aim to become the world's top exporter in time to come.

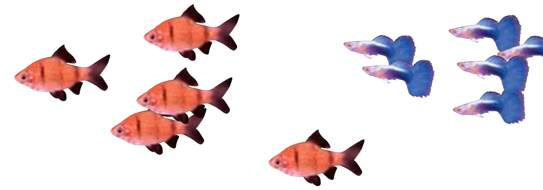
Contrary to popular belief, ornamental fish handling is actually a knowledge-based activity, requiring years of experience to handle the intricacies of more than 500 species and varieties of fish imported from Southeast Asia, South America and Africa regarding environmental conditioning, proper nutrition, quarantine and medication. Even the seemingly-simple process of preparing the fish for export requires precision. Little is known that fish have to undergo stringent pre-flight conditioning process to prepare them for the long journey around the world. This entails regulating the water quality, dieting, waste reduction techniques, space acclimatisation and temperature control. This process helps to ensure that they arrive at their destination healthy. In fact, we have the reputation of being able to consistently achieve a high rate of survivability of our fish.

Every week, thousands of bags of ornamental fish, which are packed in pathogen and contaminant-free water and infused oxygen, go through our bar code scanners before they are flown to more than 65 countries around the globe.



GLOBAL DISTRIBUTION & EXPORT MARKET

- Distribution Points
- Our Export Markets



Dragon Fish Breeding Capabilities

Singapore was the first in the world to obtain approval from CITES for the breeding of the endangered, the highly-prized Asian Arowana (Scleropages Formosus). Also commonly known as the Dragon Fish, this prehistoric fish is currently being researched by Qian Hu, in collaboration with Temasek Life Sciences Laboratory.

The Dragon Fish is an ancient teleost with highly unusual characteristics. Its approach to reproduction is atypical for a large bodied fish: it lays very few eggs of huge size (1 cm in diameter), which following fertilization, spend the first 5-6 weeks of their life in the mouth of their father.

Due to the dragon-like shape of the head and its brilliantly colored scales, the Dragon Fish has become a popular and extremely expensive ornamental species in Asia since the 1960s. Current culture practices for the species are empirical and rather primitive, reflecting the lack of detailed knowledge about its reproduction. This is becoming a bottleneck in the production of high quality individuals, especially when it comes to specific traits, such as new color varieties. By having quantitative and qualitative information about the mating behaviour of these fish, we can then effectively increase the production of Dragon Fish in our farms in Singapore, Malaysia and Indonesia in order to keep up with rising market demands, fuelled mainly by China and Taiwan.

Researchers at Temasek Life Sciences Laboratory in Singapore have been studying the reproduction of the Asian Arowana with modern molecular tools for seven years. The research team completed the genotyping of all the brooders of Qian Hu by polymorphic DNA markers and have set up an efficient method to identify breeding pairs. Their data reveal highly complex breeding relationships including partner sharing in ponds. They have also uncovered a way to predict breeding success by biochemical tools as well as an unusual phenomenon, which involves males apparently stealing other couples' offspring.

Understanding the breeding biology of this fish using molecular approach has enabled the fish farmers to increase their production by pairwise breeding and allow them to monitor the breeding frequency and fecundity. They are now also able to selectively breed the preferred strains and eventually produce tailor-made varieties to satisfy industry demands.

Manufacturing Strengths

Guangdong Province is the main production base for aquarium products in China and occupies a domestic market share of over 70%. [1]As a direct result of an expanding domestic market and increasing overseas demand, manufacturers of Chinese aquarium products in Guangdong, the main trading base for the whole of China, keeps on growing. Currently, there are about 50 manufacturers in Guangdong Province, including three of China's largest aquarium producers.

Leveraging on the importance of Guangzhou as the trading hub of China's whole aquarium products, our Group established our sole manufacturing base in the vibrant city of Guangzhou through a wholly-owned subsidiary, Guangzhou Qian Hu. In 2004, Guangzhou Qian Hu's production capacity was more than doubled, and in time to come, we aim to be one of the top 3 manufacturers of aquarium accessories in China.

Located in Guangzhou's Dong An Industrial Park, our medium-sized factory has a gross floor area of 15,000 square metres, and has the capacity to produce a wide variety of aquarium accessories such as PUA tanks, cabinets, lightings, airpumps, as well as fish medication and food under Qian Hu's proprietary brands. In addition, the Company also serves as a contract manufacturer and distribution agent for third-party brands such as EHEIM and Arcadia.

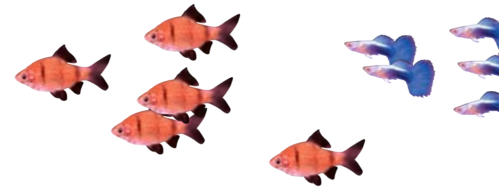
Innovation is a critical success factor, and Guangzhou Qian Hu is currently developing new products such as the customisation of the fish tank specifically tailor-made for the Asian Arowana or Dragon Fish, which will be able to enhance the colour of the prized fish as well as revolutionary safety features such as emergency power generators.

We have developed a tank specially for keeping reptiles, which are gaining popularity as household pets in Europe and North America, as well as a waterproof lighting system for aquariums that comply with European quality standards.

Guangzhou Qian Hu is focused on the export market – some 85% of our sales are from overseas with only 15% of domestic sales. Of the export markets, about 20% are sold to the Qian Hu group, and the remaining to principal export markets such as Japan, Europe, Australia and Southeast Asia.

Going forward, our strategy is to expand the product offerings for our OEM customers, as well as to develop new and innovative products especially for the European and American markets. We aim to grow our services to OEM customers, and be a significant player in the global aquarium accessories industry.

[1] "Aquarium product manufacturers in Guangdong – China", Lai Mingfan, Pets International Magazine Vol 17 No 2 (March 2005)



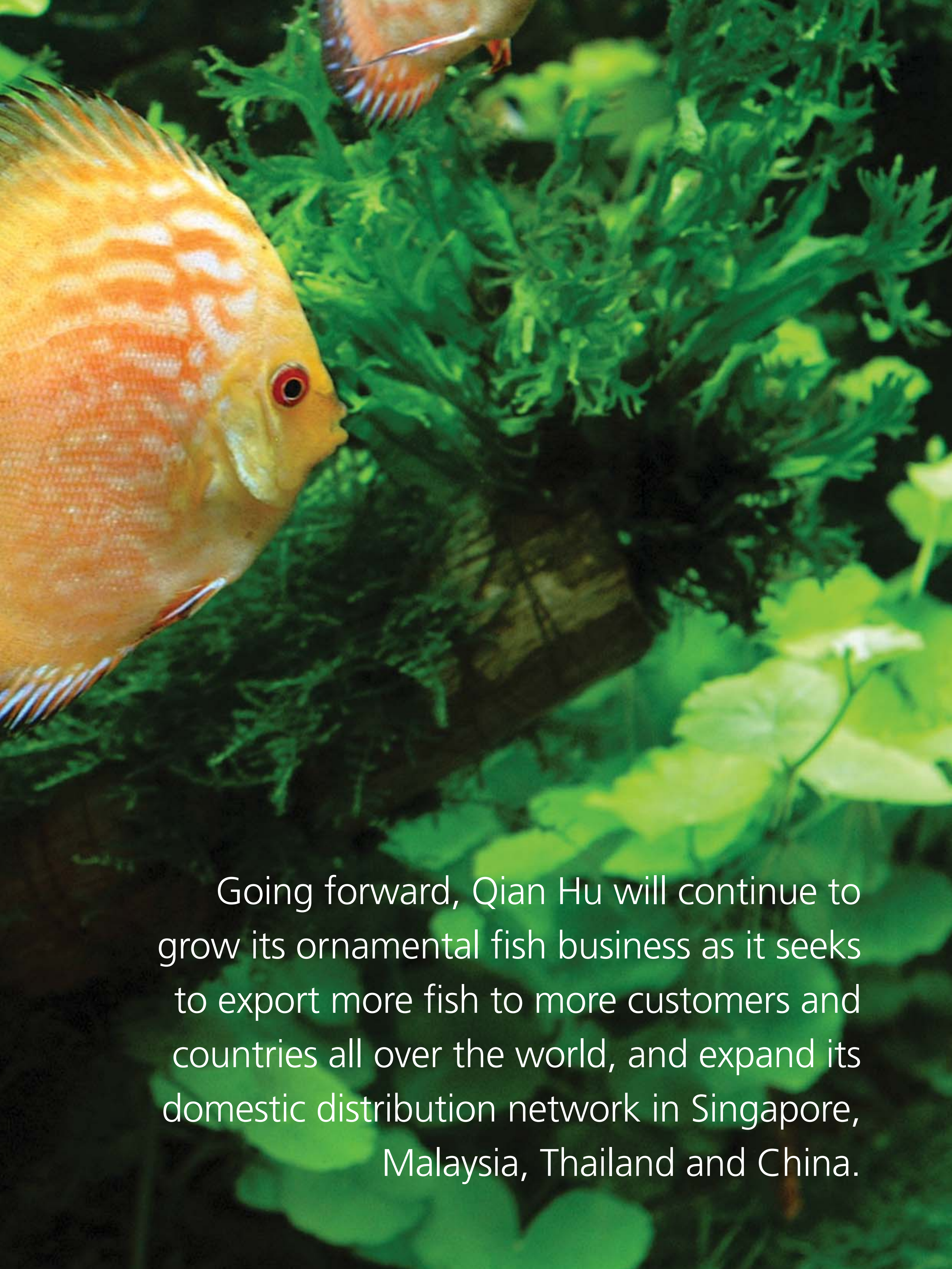
Retail Chain Stores

In 2004, we embarked on an aggressive expansion of our "Qian Hu - The Pet Family" retail strategy which, today, numbers 12 stores in Malaysia, Thailand and China. Convinced that this forward integration is crucial in ensuring our future growth and profitability, Qian Hu developed a network of retail chain stores to capture the rising demand for a wide variety of pet products, accessories and related services such as pet grooming.

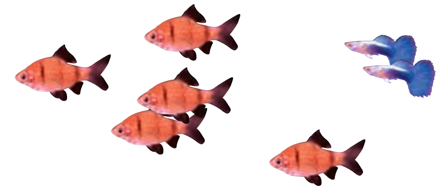
The distribution of accessories complements the ornamental fish operations by providing a "one-stop" shop to meet customers' aquarium needs. The Group distributes more than 5,000 types of aquarium and pet accessories for more than 20 major manufacturers and principals to local retailers and wholesalers in Asia.

In addition, the Group has developed its own brands of aquarium and pet accessories under the name "Ocean Free" (accessories for ornamental fish), "Delikate" (accessories for small animals such as hamsters and rabbits), "BARK" and "Nature's Gift" (accessories for dogs), and "ARISTO-CATS YI HU" (accessories for cats).

Our "Ocean Free" brand, whose products are exported to Philippines, Brunei, Australia, New Zealand, Japan, Turkey, Germany, United Kingdom and the Netherlands, was recently named the Number 1 aquarium accessories brand in Singapore by Euromonitor. Going forward, we intend to accelerate the pace of distribution of these brands throughout the world. The distribution of pet accessories is expected to grow to become a significant business activity of the Group in the future.



Going forward, Qian Hu will continue to grow its ornamental fish business as it seeks to export more fish to more customers and countries all over the world, and expand its domestic distribution network in Singapore, Malaysia, Thailand and China.



Letter from the Chairman

I am glad (relieved actually!) that our efforts are beginning to pay off. We are seeing the emergence of the first fruits. The buds of growth are evident not only in our Group's consolidated results.

My dear shareholders

From time to time, we see trucks alongside our roads and expressways, with men hoisted high, sawing away seemingly healthy branches and tree trunks. They are doing the essential tasks of "tree pruning", so that the trees and shrubs all over our Garden City continues to grow luxuriantly.

We look at this seemingly "cruel" act and wonder why these lovely trees have to be subject to such treatment. I say it is essential because it helps to enhance the aesthetics of a tree or shrub.

Pruning involves the removal of non-essential parts of the plant that may hinder the desired growth path of the plant, and enables the plant to channel all of its energy for its general well-being and fruitfulness. Some of us may have seen this process being carried out, but not many are willing to carry out this painful process.

Since 2004, Qian Hu has gone through this process of pruning as we embraced a new retail chain store strategy and moved away from the old business model that is reliant on wholesale distribution. We felt that it was absolutely essential to integrate forward so that we could gain direct access to our front-end customers instead of relying on the traditional distribution channels. We want to run a business that will last far beyond our generation, which makes the pruning exercise that we had gone through the past two and half years even more crucial for long-term sustainability.

As a listed company, Qian Hu is fully committed to growing our business and ensuring continuity and sustainability. Besides transforming our business model, we must ensure that our human capital infrastructure is able to support our long-term growth initiatives. Already, we have in place a management trainee programme which provides a platform for us to a succession team to take the Group to new frontiers in the next generation of management team.

亲爱的股东们：

我们不时可以在公路或快速公路上，看见载有升降机的卡车停在路旁，而负责修剪树木的工人则站在升降机里，用电锯切除看来还相当健康正常的枝干或树干。他们所执行的这项重要的修枝工作，使我们的花园城市的树木与灌木丛继续繁荣茂盛。

这个看来是"残酷"的行动，令人困惑这些好好的树木，为什么会遭受到这样的待遇。我认为这么做是重要的，因为这将能协助美化树木或灌木丛。

修枝工作牵涉剪除可能影响植物生长的不重要部分，这有助于植物集中能量健康成长并开花结果。我们当中可能有人见过这个过程的执行，但很少人愿意经历这样的疼痛过程。

自2004年开始，仟湖就经历了这样的一个修枝过程，我们推出一个新的零售连锁策略，不再如过去般依靠批发分销的旧商业模式运作。我们认为这是绝对必要的，这使我们不必依赖传统的分销渠道，而可以直接接触我们的顾客群。我们要经营一个可以延续世世代代的生意，因此，过去两年半所进行的修枝工作对长期发展来说，就显得更加的重要。

作为一家上市公司，仟湖尽全力确保我们的业务增长可以维持并持续不懈。除了转换我们的商业模式，我们必须确保我们的人力资源也能支持我们的长期成长计划。我们已开始设立了一个管理层培训计划，培训可以带领集团迈向未来的接班人。

I am glad *(relieved actually!)* that our efforts are beginning to pay off. We are seeing the emergence of the first fruits. The buds of growth are evident not only in our Group's consolidated results. Individually, we are seeing the turnaround of our retail chain stores in Thailand, China and Malaysia. As at 31 December 2006, Qian Hu owns and operates 12 "Qian Hu – The Pet Family" chain stores, and we plan to add more stores particularly in Malaysia. In addition, we are increasing the number of distribution points in China for our Dragon Fish and other accessories. Our target is to have more than 100 of such points.

Our business model now is more complete and integrated, having incorporated the breeding and export of ornamental fish including the highly-profitable Dragon Fish with the manufacturing and distribution of aquarium and pet accessories, as well as a successful execution of our retail chain store strategy.

I need to remind you that we are still at the budding stage. The retail chain store execution still needs time to flower, pollinate and grow into the precious fruits of our labour.

FY 2006 Highlights

I am pleased to report that Qian Hu has done even better in FY 2006 as we have been able to balance the Group's growth in all aspects and and managed our cash well.

Now that the "pruning" phase of consolidation and transformation is over, we are expecting higher levels of growth in turnover and profit. We are really glad that the painful, but necessary, pruning process is over and our strategy is starting to bud. Hopefully, we will start to enjoy the fruits of our labour in FY 2007.

In the year under review, the Group's net profit attributable to shareholders grew by 28.9% to $2.6 million as sales across the board increased 14.9% to $76.1 million, led by strong growth in its operations in Singapore and Thailand, which saw more ornamental fish and accessories being exported to more countries around the world. Ornamental fish, including the highly-popular Dragon Fish, grew 18.3% y-o-y to $39.6 million whilst aquarium and pet accessories, which included contributions from Qian Hu's 12 retail chain stores in the region, rose 3.7% to $26.6 million. Revenue from plastics surged 38.5% to $9.9 million.

我很高兴（实际上是放下心头大石！）我们的努力已开始奏效。我们已经产生了第一批果实。成长的萌芽不仅是反映在集团的综合业绩上，我们也见到在泰国、中国和马来西亚的零售连锁店转亏为盈。截至2006年12月31日，仟湖拥有并经营12家“仟湖—宠物家庭”连锁店，我们计划设立更多的零售店，特别是在马来西亚。此外，我们也增加龙鱼和其他配件在中国的分销点。我们的目标是设立超过100个这样的分销点。

我们的商业模式现在更加综合与完整，结合了观赏鱼的养殖与出口，包括了高利润的龙鱼，生产与分销水族器材与宠物配件，以及成功执行我们的零售连锁店策略。

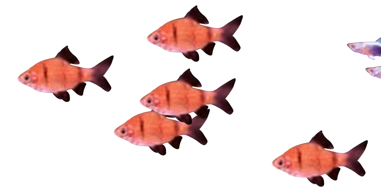
我需要提醒你们的是，我们还在萌芽阶段。零售连锁店的落实还需要更长时间才会开花结果，为我们的努力结出累累果实。

2006财政年概要

我很高兴的报告仟湖在2006财政年取得更好的业绩。我们能够平衡集团各方面的增长，并很好的管理我们的现金。

进行“修枝”的巩固与转换阶段已成过去，我们预期在营业额与盈利方面将取得更高的增长。我们很高兴这个虽疼痛但却是必要的修枝过程已成为过去，我们的策略正开始萌芽。我们希望在2007财政年，可以开始享受因我们努力付出而结出的果实。

回顾过去这一年的业绩，集团的净利上升了28.9%至260万元，由于集团在新加坡和泰国业务的强劲增长，以致观赏鱼和配件出口到世界更多的国家，促使销售额上升了14.9%达7610万元。观赏鱼，包括非常受欢迎的龙，与去年的销售额相比，上升了18.3%，达3960万元，而水族器材和宠物配件方面，包括了集团属下的12家零售连锁店的销售额在内，上升了3.7%，达2660万元。来自塑料业务的销售额则剧增38.5%，达990万元。



For the full year, Qian Hu's Singapore sales grew 14.6% to $24.1 million, accounting for 31.7% of total Group revenue, whilst sales to more untapped export markets led the growth from overseas countries rose 15% to $52.0 million.

Based on the Group's latest audited full-year results, earnings per share on a fully diluted basis increased from 1.58 Singapore cents to 2.03 cents, while net assets backing per share rose from 35.5 cents to 37.9 cents.

Dividend

In line with Qian Hu's improved profit growth and healthy cash flow, the Directors have recommended a first and final gross dividend of 0.6 cents per ordinary share, which if approved by shareholders, will be paid out on 11 April 2007.

Segmental Review & Prospects

The Ornamental Fish Business

The only ornamental fish company in the world that has four supply centres in Asia, namely, Singapore, Malaysia, Thailand and China, Qian Hu is also a world leader in Arowana research.

Since 2004, the Group's cutting-edge research partnership with Temasek Life Sciences Laboratory, has employed DNA mapping techniques to study the breeding behaviour of this highly-prized fish. With the research findings, Qian Hu will be able to rapidly increase the productivity of its Dragon Fish breeding programme to new depths, in order to meet the strong demands for this "feng shui" fish which are taking North Asia by storm. The production of Arowana will increase in 2007 as our Dragon Fish farm in Batu Pahat, Malaysia has recently expanded.

Throughout our pruning experience, the Group's ornamental fish business has showed its resilience and strength, particularly in FY 2006, boosted by the strong demand for Dragon Fish in North Asian markets of China, Japan and Taiwan. In FY 2006, ornamental fish revenue rose 18.3% to $39.6 million, accounting for 52.0% of overall turnover. In the last quarter alone, sales in this business segment grew 16.2% year-on-year to $10.1 million. Going forward, we anticipate continued growth from strength to strength even as we seek to expand our distribution network in Thailand, China and Europe in 2007. We will export more fish and accessories to more countries in 2007.

Full-year operating profit from ornamental fish grew by 32.6% to $5.9 million, in line with higher sales and better margins from Dragon Fish sales. Operating profit in the latest 4th quarter, however, declined slightly by 8.2% to $1.6 million compared to its corresponding period in FY 2005 due to the difference in sales mix between the two quarters.

仟湖在新加坡市场的全年销售额增长了14.6%，达2410万元，占集团总销售额的 31.7%，而向相对未被开发的出口市场的销售，促使海外市场的销售额取得15%的增长，达5200万元。

基于集团的最新全年审计数据，每股盈利从新币1.58分增加到2.03分，而每股净资产从35.5分上升到37.9分。

股息

由于仟湖盈利的增长并享有健康的现金流量，董事部建议派发每股0.6分的年终股息，若获得股东批准，将在2007年4月11日派发。

各部门业务回顾与展望

观赏鱼业务

仟湖是世界上唯一一家在亚洲拥有四大供应中心的观赏鱼公司，这四个中心设于新加坡、马来西亚、泰国和中国。仟湖的龙鱼研究在全球也居领导地位。

自2004年以来，集团的研究伙伴淡马锡生命科学实验室，采用了DNA分子标记技术研究这种高价鱼的养殖习性。从研究所得，仟湖将得以更快的助长龙鱼的产量至新水平，以应付这种受东北亚国家地区疯狂宠爱的"风水鱼"的大量需求。我们设在马来西亚巴株巴辖的龙鱼场最近刚扩建，那里的龙鱼生产将在2007年有所提高。

在我们的"修枝"经验里，集团的观赏鱼业务显示了其弹性与实力，尤其是在2006财政年，这方面的业务因东北亚国家如中国、日本与台湾对龙鱼的强劲需求而激增。在2006财政年，观赏鱼的收入上升了18.3%达3960万元，占总营业额的52%。单在上一季，龙鱼的销售业务就比去年同一时期增长了16.2%达1010万元。展望未来，随着我们在2007年拓展在泰国、中国与欧洲的分销网，预期龙鱼的销量必更稳健上升。我们在2007年也将出口更多鱼与配件到更多的国家。

随着龙鱼的销售额增加，以及利润率的提高，来自观赏鱼的全年营运利润增加了32.6%，达590万元。然而因各个季度的销售产品各不相同，所以2006年第四季度的营运利润和2005年第四季度相比，稍微下跌了8.2%，达160万元。

The Accessories Business

In FY2006, sales of aquarium and pet accessories increased by 3.7% to $26.6 million, accounting for 34.9% of the Group's total turnover. However, in the latest 4th quarter, accessories sales rose marginally by $46,000 or 0.6% to $7.8 million as compared to its corresponding period in 2005 as a result of higher export sales and higher sales contributions from the Group's retail chain stores being offset by lower production orders received and delivered in the current quarter from its Guangzhou factory.

The full year operating profit from our accessories business grew by 2.8% to $588,000, and in the latest 4th quarter, this business segment posted a profit of $55,000, reversing a loss of $289,000 in the year-ago period due to higher export sales which yielded good margins.

During the year in review, the Group had increased the production capacity of our Guangzhou factory which produces aquarium accessories. Increasing demand from Qian Hu's network in Singapore, Malaysia, Thailand and China, coupled with new OEM customers from other parts of the world, will enable our Guangzhou subsidiary to further improve its turnover and profit in FY 2007.

The Retail Chain Store Business

We are happy to report that our experiment with the retail chain store concept has started to bud with opportunities for future growth, in line with our expectations that such ventures typically take about two years to start bearing fruit. This seems to underscore that our earlier decision to take this challenge has proven to be the correct one. The scars of the pruning experience are a thing of the past, and we only look forward to focusing on growing this business segment further.

With our 12 stores in Malaysia, Thailand and China (as at 31 December 2006), we intend to open more stores, particularly in Malaysia, as well as add more distribution points in China for our Dragon Fish and accessories products.

配件业务

在2006财政年度，水族器材和宠物配件的销售额，提高了3.7%，达2660万元，占集团总销售额的34.9%。然而，在最近的第四季度与去年同期相比，配件销售只是稍微上升了4万6千元，即0.6%，达780万元。这是由于出口量及集团零售连锁店销售额的增长被广州工厂当前季度收到和发货的生产订单下跌抵消。

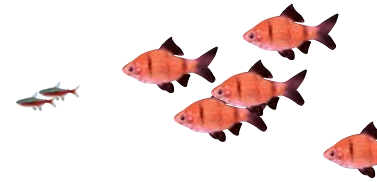
来自配件业务的全年营运利润增长2.8%，达58万8千元。在最近的第四季度，由于出口销售额上升，并获得良好利润率，这项业务获得利润5万5千元，改变了去年同一时期28万9 千元的亏损局面。

在这一年，集团提高了广州工厂生产水族配件的产能。来自新加、马来西亚、泰国和中国网络的需求增加，再加上来自世界其他地区新的原始设备制造商客户，将令广州子公司在2007财政年度进一步提高销售额和利润。

连锁店业务

我们很高兴的向大家汇报，我们的连锁店概念已经开始萌芽，为未来的成长提供很好的基础，这与我们所预期的这类投资一般上需要两年时间才开始见到成效相符。这显示我们之前接受这个挑战的决定，证明是正确的。修枝的伤痕已成过去，我们可以展望全力进一步发展这方面的业务。

截至2006年12月31日，集团在马来西亚、泰国与中国设有12家的连锁店，仟湖计划设立更多零售店，尤其是在马来西亚，并在中国增加分销点，以提高我们的龙鱼与配件产品的销量。



Plastics Manufacturing Business

Our plastics manufacturing business, though contributing only 13.1% of our total sales in FY 2006, has been generating cash for the Group for the past few years due to its expanding customer base in Singapore. As such, we have been able to maintain a faster turnover of our plastics inventory. In spite of the recent volatility in oil prices, resulting in rising costs of resins, a key ingredient used in the production of plastic bags, we were able to pass the higher raw material cost to our customers. Though not a significant business activity, the Group's plastics business continued to experience steady growth. In FY 2006, its sales improved 38.5% to $9.9 million whilst operating profit surged 47.9% to $636,000 as a result of expansion of product range and an enlarged customer base and distribution channels.

In the 4th quarter of 2006, plastics activities rose 52.4% on a year-on-year basis, generating sales of $2.8 million, buoyed by focusing on selling more high-value items and expanding its distribution channels and customer base. Operating profit in the last quarter of the year generated earnings of $194,000, up 83.0% from the same quarter a year ago.

Group Prospects for FY 2007

Going forward, Qian Hu intends to:

1. ***Increase its export of ornamental fish and aquarium accessories***
   - Expand domestic distribution in Singapore, Malaysia, Thailand and China as well as export more of its products to more countries
   - Increase the export of Qian Hu's proprietary "Ocean Free" brand (named the Number 1 aquarium accessories brand in Singapore by Euromonitor). Currently, the Group's "Ocean Free" products are exported to Philippines, Brunei, Australia, New Zealand, Japan, Turkey, Germany, United Kingdom and the Netherlands.

塑料品生产业务

我们的塑料品生产业务的销售量，虽然只占2006财政年总销售额的13.1%，但由于过去数年其新加坡的顾客群逐渐扩大，除了为集团带来了所需的现金。也使我们的塑料库存能够更快的周转。虽然最近油价波动，造成生产塑料袋的主要原料的树脂价格上涨，我们却做到了将上涨的原料成本转由顾客来承担。虽然塑料品生产不是集团主要的业务，其业务继续获得稳健的成长。在2006财政年，塑料品生产业务的销售额提高了38.5%，达到990万元，营业利润则上涨47.9%至63万6千元，业务增长主要是产品种类增加，顾客群扩大与分销渠道的增添。

在2006年第四季，塑料品生产业务活动比去年同期提高了52.4%，带进了280万元的销售，这是我们集中销售更高价值的产品，增添其分销渠道与扩展顾客群的成果。去年最后一季的营业利润与上一年同季相比，显著上涨了83.0%，达19万4千元。

集团2007财政年度展望

展望未来，仟湖计划：

一. 增加观赏鱼和水族器材的出口量

- 扩展在新加坡、马来西亚、泰国和中国的国内分销网络，以及把产品出口到更多国家
- 提高仟湖自己的品牌“傲深”(被欧睿评为新加坡第一的水族配件品牌)的出口量。目前集团的“傲深”产品已出口到菲律宾、文莱、澳洲、纽西兰、日本、土耳其、德国、英国和荷兰。

2. ***Continue growth of Dragon Fish sales***
   - Continued demand for Dragon Fish in China, Taiwan and Japan is expected to boost sales. Qian Hu's Dragon Fish is increasingly regarded as a premium brand in Northeast China.
   - Qian Hu's collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish has enabled the Group to increase its production and to meet future growth in demand.

3. ***Expand the distribution network for pet accessories by leveraging on Qian Hu's house brands***
   - Accelerate the pace of distribution of pet accessories worldwide from Singapore as well as through overseas subsidiaries by leveraging on Qian Hu's house-brands such as "BARK" and "Nature's Gift" (accessories for dogs); "Aristo-cats YI HU" (accessories for cats) and "Delikate" (accessories for small animals such as hamsters and rabbits).
   - The distribution of pet accessories is expected to grow to become a significant business activity of the Group in the future.

4. ***Retail chain stores***
   - As at 31 December 2006, Qian Hu owns and operates 12 "Qian Hu – The Pet Family" retail chain stores throughout the region.
   - The Group plans to add more stores, particularly in Malaysia.
   - In addition, the Group is increasing its distribution points in China for Dragon Fish and other accessories to more than 100.

5. ***Enhance efficiency and ability in manufacturing accessories products***
   - With rising demand for accessories from the Group's distribution work in Singapore, Malaysia, Thailand and China as well as increasing orders for accessories products from the Group's suppliers and customers from various parts of the world, the Group expects to further enhance the production efficiency of its Guangzhou factory and hence, increase its turnover and profit contributions.

Overall Outlook

With the steady performance from the Singapore operations, coupled with positive contributions from Qian Hu's overseas operations in Malaysia, Thailand and China, the Directors expect the Group's turnover and profit will continue to increase in FY 2007.

二. 龙鱼销售持续增长

– 中国、台湾和日本对龙鱼需求的持续上升，预计将增加龙鱼的销售。仟湖的龙鱼在中国东北越来越被认定是一个高档的品牌产品。

– 仟湖和淡马锡生命科学实验室合作研究龙鱼饲养的习性，可让公司提高产量以满足将来需求的增长。

三. 依靠仟湖的专利品牌以扩大宠物配件的分销网络

– 依靠仟湖的专利的品牌以扩大并加快从新加坡和集团海外子公司所分销的宠物配件速度，例如“BARK”和“Nature’s Gift”(狗配件),“Aristo–cats YIHU”(猫配件)以及“Delikate”(小动物例如仓鼠和兔子的配件) 的宠物配件。

– 宠物配件的分销预计将成为公司一项重要的业务活动。

四. 零售连锁店

– 截至2006年12月31日，仟湖拥有及经营12家“仟湖宠物家族”零售连锁店。

– 公司计划设立更多零售连锁店，尤其是在马来西亚。

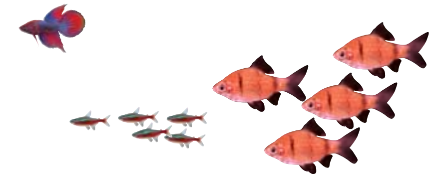
– 此外，公司正在中国增设超过100个的龙鱼及其他配件的分销点。

五. 加强生产配件的效率以及能力

– 由于新加坡、马来西亚、泰国和中国对配件的需求不断增加，以及来自世界各地供应商和客户对配件产品的订单越来越多，预计将能进一步加强集团在广州工厂的生产效率，因而促使提高销售额和利润。

整体展望：

由于新加坡业务的营运有稳定表现，以及集团在马来西亚、泰国和中国的海外业务稳健成长，董事会预计集团在2007财政年度的营业额和利润将继续上升。



Appreciation

During the year, Qian Hu once again clinched the top spot in the Business Times' Corporate Transparency Index (CTI) for 2006 which has been revamped using a much stiffer scoring system to recognise certain emerging best practice in corporate transparency.

In addition, we were named as one of the award winners in the ZDNet Asia Smart50 with Special Mention for our efforts in implementing an important IT initiative called "FISH" to streamline its supply chain processes and inventories and allow wholesale and retail customers to track orders online.

In January 2006, Qian Hu was also awarded the People Developer Standard for our best practices in Human Resource management.

Our staff have been such a pillar of support to us during this challenging season of change which required all of their dedication and determination to push through the various growth initiatives. Their contributions have left an indelible mark in the history of Qian Hu!

On behalf of the Board, we would like to express our deep appreciation to them, as well as to every one of you, our shareholders, for your continued support of Qian Hu, and for allowing the Group to undergo this necessary growth phase.

To my fellow Directors on the Board – thanks for your invaluable advise and support during these challenging times. Now that the buds are growing, it is up to all of us to ensure that they take fruit in due season.

Have a successful year ahead!

致谢：

仟湖在2006年的《商业时报》企业透明指数排名再次荣登榜首。这项奖项在改革后，采用更严格的评分标准，肯定企业透明度的一些最佳做法，仟湖能够获奖，确实难能可贵。

此外，我们也获选为ZDNet Asia Smart50的其中一家得奖公司，该奖特别提及我们致力实行的一项称为"FISH"的资讯科技计划，这项计划改革了供应链程序与库存，让批发与零售的顾客可以直接上网追查订单。

在2006年1月，仟湖在人力资源管理的良好实践受到肯定，获颁人力资源发展标准计划奖（People Developer Standard）。

在这充满挑战的改变时刻，仟湖的全体职员是我们的支柱，是他们的献身精神与决心，协助我们完成了各项改革与成长计划。他们的贡献已在仟湖的历史上，留下不可磨灭的记录！

我谨代表董事部的成员，向全体职员表达我们衷心的感谢，也谢谢我们的每一位股东，继续支持仟湖，让集团可以完成这成长过程中所必需经历的阶段。

我也要感谢董事部的成员，谢谢你们在这些充满挑战的时刻，所提供宝贵的意见与支持。现在我们的努力已经萌芽成长，一切有赖于大家确保他们开花结果。

愿迈向更丰收的一年！

EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR
执行主席兼总裁

KENNY YAP 'THE FISH' 叶金利

EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR

KENNY YAP KIM LEE

Mr Kenny Yap is the Executive Chairman and Managing Director of Qian Hu Corporation Limited, the only integrated ornamental fish service provider listed on the Mainboard of the Singapore Exchange.

Through his leadership, vision and passion for the industry, Kenny plays a key role in establishing Singapore as the ornamental fish capital of the world, with Qian Hu accounting for more than 4% of the global fish market. He has a string of awards to his name - Public Service Award (PBM) in 2004, Ernst & Young's Service Entrepreneur of the Year Award in 2003, Young Chinese Entrepreneur of the Year by Yazhou Zhoukan in 2002, one of the 50 Stars of Asia by Business Week in 2001, the PSB/International Institute of Management's International Management Action Award in 2000, and the Singapore National Youth Award in 1998.

Kenny graduated from Ohio State University (USA) with a 1st Class Honours degree in Business Administration.

He currently serves as the Chairman for the Ornamental Fish Business Cluster initiated by AVA and is a member of the Action Community for Enterpreneurship (ACE).

DEPUTY MANAGING DIRECTOR

ALVIN YAP AH SENG

Mr Alvin Yap, a founding member of the Group, oversees the Group's aquarium and pet accessories operations in his current capacity as Deputy Managing Director.

Alvin holds a diploma in Mechanical Engineering from Singapore Polytechnic and was the Managing Partner for Yi Hu Fish Farm Trading from 1988 to 1998. In 2000, Alvin, together with Kenny Yap and Andy Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

DEPUTY MANAGING DIRECTOR

ANDY YAP AH SIONG

Mr Andy Yap, a founding member of the Group, heads the Group's ornamental fish operations as Deputy Managing Director.

Andy holds a diploma in Business Studies from Ngee Ann Polytechnic and was the Managing Partner for Qian Hu Fish Farm Trading from 1989 to 1998. In 2000, Andy, together with Kenny Yap and Alvin Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

FINANCE DIRECTOR

LAI CHIN YEE

Ms Lai Chin Yee was the Group Financial Controller before assuming her appointment as the Finance Director of Qian Hu Corporation Limited in November 2004. She is responsible for the Group's accounting, finance, treasury and tax functions. Prior to joining the Group in 2000, Ms Lai was an auditor with international accounting firms since 1987. She holds a Bachelor's degree in Accountancy from the National University of Singapore and is a fellow of the Institute of Certified Public Accountants of Singapore. Ms Lai is also a council member of the Council on Corporate Disclosure and Governance (CCDG).

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INDEPENDENT DIRECTOR

CHANG WENG LEONG

Appointed in October 2000, Mr Chang Weng Leong serves as Qian Hu's Independent Director. He is currently the Principal Consultant of Alchemy Business Consultants, and has many years of experience in various areas of management - such as quality management, environmental, human resource and business.

Mr Chang is the Chairman of the Remuneration Committee which oversees the remuneration of key executives of the Group. He also plays an active role in overseeing the Group's Human Resources as well as the maintenance and enhancement of the Group's information management systems in Singapore and overseas, especially in assisting new entities within the Group establish their Management Information System seamlessly.

Mr Chang holds a Masters of Science degree in Mechanical Engineering from the National University of Singapore.

He is a registered Principal Auditor with the Institute of Quality Assurance (IRCA UK).

INDEPENDENT DIRECTOR

TAN TOW EE

Mr Tan Tow Ee was appointed in May 2002 as an Independent Director of Qian Hu Corporation Limited.

Mr Tan currently manages private funds and also provides consultancy services. He has more than 15 years of professional experience working with international corporations where he was managing their sizeable investments.

He holds a Honours degree in Finance from Ohio State University (USA). He is the Chairman of the Nominating Committee which assesses the Board's performance and effectiveness as well as the independence of directors. Also the Chairman of the Branding Committee, Mr Tan plays a pivotal role in developing Qian Hu's brand name into the region.

INDEPENDENT DIRECTOR

ROBSON LEE TECK LENG

Mr Robson Lee is a partner in Shook Lin & Bok's corporate finance & international finance practice and has been with the firm since 1994. He is also a partner in the firm's China practice, focusing on cross-border corporate transactions in the People's Republic of China.

With a LLB (Hons) from the National University of Singapore, Robson was appointed in October 2000 as an Independent Director and the Chairman of the Audit Committee of Qian Hu Corporation Limited. He runs an active practice advising corporate issuers in a number of industries ranging from high-tech, food and beverage, speciality chemicals and pharmaceuticals, and their underwriters in fund-raising and stock market flotations.

He is also the Secretary of the Board of Governors of Hwa Chong Institution and Hwa Chong International School as well as a trustee of the land on which the two schools are situated. He has structured a number of corporate finance transactions and advises public listed companies on securities transactions, cross-border mergers and acquisitions and foreign joint ventures. Robson also sits on a number of other listed companies as Independent Director.

1. **ALVIN YAP AH SENG**
2. **KENNY YAP KIM LEE**
3. **ANDY YAP AH SIONG**
4. **LAI CHIN YEE**
5. **CHANG WENG LEONG**
6. **TAN TOW EE**
7. **ROBSON LEE TECK LENG**

Senior Management

LOW ENG HUA
GROUP GENERAL MANAGER/
MANAGING DIRECTOR - CHINA OPERATIONS

Mr Low joined the Group in 2001 and is responsible for overall management and business development of the Group. He also take charge of the Group's operations in China. Prior to joining the Group, Mr Low worked in Engage Electronics (S) Pte Ltd from 1993 to 2001 where he rose through the ranks from Application Engineer to Deputy Operations Manager. Mr Low holds a Bachelor's degree in Engineering from the National University of Singapore.

YAP KIM CHOON
DIVISION HEAD
WAN HU DIVISION

As one of our founding members, Mr Yap joined the Group in 1988 as head of Wan Hu division. He specialises in the rearing and breeding of Dragon Fish and has helped the Group win prizes in international competitions.

GOH SIAK NGAN
MANAGING DIRECTOR
KIM KANG AQUACULTURE SDN BHD
QIAN HU THE PET FAMILY (KK) SDN BHD

Mr Goh is the founder of Kim Kang, and has over 20 years of experience in breeding Arowana. In 1992, he started his own farm in Batu Pahat which not only specialised in the breeding of Arowana but Arapaima Gigas and Red Gourami as well.

THOMAS NG WAH HONG
MANAGING DIRECTOR
QIAN HU AQUARIUM AND PETS (M) SDN BHD
QIAN HU THE PET FAMILY (M) SDN BHD

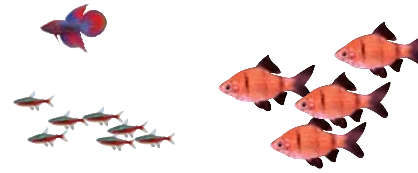
Mr Ng is responsible for the overall business development of Qian Hu Malaysia. Prior to joining Qian Hu in 1998, Mr Ng was a director of Guan Guan Industries Sdn Bhd since 1990, and Agemac Verdas (Malaysia) Sdn Bhd from 1996 to 1998. He holds a diploma in Civil Engineering from the Singapore Polytechnic.

JIMMY TAN BOON KIM
MANAGING DIRECTOR
THAI QIAN HU COMPANY LIMITED
QIAN HU MARKETING CO LTD

Prior to his current appointment in 2002, Mr Tan was the head of Daudo division overseeing the import, export and wholesale of ornamental fish. He was also the sole proprietor of Daudo Aquarium for 9 years and a partner of Sea Palace Tropical Fish for 6 years.

LEE KIM HWAT
MANAGING DIRECTOR
QIAN HU TAT LENG PLASTIC PTE LTD

Mr Lee has been overseeing and managing the operations and business development of Qian Hu Tat Leng for more than 12 years, and is responsible for the growth of our plastics business in Singapore.



BOB GOH NGIAN BOON
GENERAL MANAGER
GUANGZHOU QIAN HU AQUARIUM AND
PETS ACCESSORIES MANUFACTURING CO LTD

Mr Goh joined the Group in 2001 as the Sales and Marketing Manager in charge of Mass Market and Pet Products. He was appointed General Manager of our Guangzhou operations in 2005 and handles the day-to-day operations and overseas the business activities and system implementation in Guangzhou. Prior to joining Qian Hu, Mr Goh was a Brand Manager with YHI Fabian (S) Pte Ltd, and has managed several high-profile FMCG brands such as Del Monte and Glad amongst other international brands. Mr Goh holds a diploma in Business Studies from Ngee Ann Polytechnic.

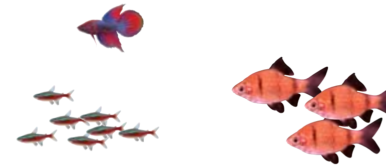
VIRAVAT VALAISATHIEN
GENERAL MANAGER
THAI QIAN HU COMPANY LIMTED

Mr Valaisathien, a law graduate from St John's University in Thailand, was appointed General Manager of Thai Qian Hu in 2002. He is responsible for the company's purchasing and domestic sales activities as well as its day-to-day operations.

RAYMOND YIP CHEE WENG
GROUP HUMAN RESOURCE MANAGER

Mr Yip has been in human resource management for over 20 years, with diverse experiences working in various industries, including NTUC electronic sector unions, ship-repair, hotel and trading companies. He joined the Group in 2003 to set up the human resource department. He is responsible for the daily human resource activities in Singapore and the overseas subsidiaries. Since Qian Hu achieved the SQA status, he has been actively involved in sharing the SQA framework with other organisations and implementing the framework to the various subsidiaries.

1. GOH SIAK NGAN
2. YAP KIM CHOON
3. LEE KIM HWAT
4. JIMMY TAN BOON KIM
5. RAYMOND YIP CHEE WENG
6. THOMAS NG WAH HONG
7. LOW ENG HWA
8. VIRAVAT VALAISATHIEN
9. BOB GOH NGIAN BOON



Corporate Information

Board of Directors

EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR
KENNY YAP KIM LEE

DEPUTY MANAGING DIRECTOR
ALVIN YAP AH SENG

DEPUTY MANAGING DIRECTOR
ANDY YAP AH SIONG

FINANCE DIRECTOR
LAI CHIN YEE

INDEPENDENT DIRECTOR
CHANG WENG LEONG

INDEPENDENT DIRECTOR
ROBSON LEE TECK LENG

INDEPENDENT DIRECTOR
TAN TOW EE

Audit Committee

CHAIRMAN
ROBSON LEE TECK LENG

MEMBERS
CHANG WENG LEONG
TAN TOW EE

Nominating Committee

CHAIRMAN
TAN TOW EE

MEMBERS
ROBSON LEE TECK LENG
CHANG WENG LEONG

Remuneration Committee

CHAIRMAN
CHANG WENG LEONG

MEMBERS
ROBSON LEE TECK LENG
TAN TOW EE

Registered Office

No. 71 Jalan Lekar
Singapore 698950
Tel: (65) 6766 7087
Fax: (65) 6766 3995
www.qianhu.com

Company Secretaries

LAI CHIN YEE
YEOH KAR CHOO SHARON

Share Registrar

M & C SERVICES PRIVATE LIMITED
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

Auditors

ERNST AND YOUNG
CERTIFIED PUBLIC ACCOUNTANTS
One Raffles Quay
North Tower Level 18
Singapore 048583

PARTNER-IN-CHARGE
ALVIN PHUA CHUN YEN
(WITH EFFECT FROM FINANCIAL YEAR 2006)

Principal Bankers

THE DEVELOPMENT BANK OF SINGAPORE LTD

OVERSEA-CHINESE BANKING CORPORATION LIMITED

MALAYAN BANKING BERHAD

Group Structure

QIAN HU CORPORATION LIMITED

Qian Hu Fish Farm Trading

Yi Hu Fish Farm Trading

Wan Hu Fish Farm Trading

SUBSIDIARIES

100%

Qian Hu Tat Leng Plastic Pte Ltd
2 Woodlands Sector, #03-35
Woodlands Spectrum Singapore 738068
Tel: (65) 6752 7258 Fax: (65) 6752 7258
Website: www.tatleng.com

Qian Hu Aquarium and Pets (M) Sdn Bhd
Block E, Lot 6212, Kg. Baru Balakong 43300
Balakong, Selangor Darul Ehsan, Malaysia.
Tel: (603) 8961 5142 Fax: (603) 8961 5141

Qian Hu The Pet Family (M) Sdn Bhd
Block E, Lot 6212, Kg. Baru Balakong 43300
Balakong, Selangor Darul Ehsan, Malaysia.
Tel: (603) 8961 5142 Fax: (603) 8961 5141

Beijing Qian Hu Aquarium and Pets Co., Ltd
Dong Fish Farm, Bei Ma Fang Village, Jinzhang
Town, Zhao Yang District, Beijing, China.
Tel: (8610) 8431 2255 Fax: (8610) 8431 6832

Shanghai Qian Hu Aquarium and Pets Co., Ltd
No 28, Hong Xi Road, Zhu Di Town,
Min Hang District, Shanghai, China.
Tel: (8621) 5151 8611 Fax: (8621) 5151 8612

Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd
Li Hong Road, Ding An Industrial Parts,
Bi Village, Xin Hua Town, Hua Du District,
Guangzhou, China.
Tel: (8620) 8687 5062 Fax: (8620) 8687 5091

74%

Qian Hu Marketing Co Ltd
30/23 Moo 8 Tumbol Klong Nung,
Amphur Klong Laung,
Pathun Thani Province 12120 Thailand
Tel: (662) 902 6447 Fax: (662) 902 6446

65%

Kim Kang Aquaculture Sdn Bhd
No. 5 & 6, Jalan Setiajaya, Taman Setia Jaya,
83000 Batu Pahat, Johor. Malaysia
Tel: (607) 428 9188 Fax: (607) 428 8213

65%

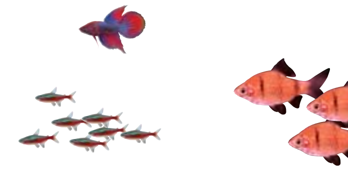
Qian Hu The Pet Family (KK) Sdn Bhd
No. 5 & 6, Jalan Setiajaya, Taman Setia Jaya,
83000 Batu Pahat, Johor. Malaysia
Tel: (607) 428 9188 Fax: (607) 428 8213

60%

Thai Qian Hu Co., Ltd.
30/25 Moo 8 Tumbol Klong Nung,
Amphur Klong Laung,
Pathun Thani Province 12120 Thailand
Tel: (662) 516 1155 Fax: (662) 516 1156

49%

NNTL (Thailand) Limited
(The Group has voting control at general meetings and Board meetings)
30/25 Moo 8 Tumbol Klong Nung,
Amphur Klong Laung,
Pathun Thani Province 12120 Thailand
Tel: (662) 516 1155 Fax: (662) 516 1156



Financial Calendar

2006

12 January	Annoucement of full year results for financial year 2005 with media & analysts briefing
22 Febuary	Despatch of Annual Report 2005
10 March	Annual General Meeting (AGM)
3 April	Payment of final dividends declared for 2005
24 April	Annoucement of first quarter results for financial year 2006
17 July	Announcement of first half results for financial year 2006 with media & analysts briefing
23 October	Annoucement of third quarter results for financial year 2006

2007

15 January	Annoucement of full year results for financial year 2006 with media & analysts briefing
23 Febuary	Despatch of Annual Report 2006
19 March	Annual General Meeting (AGM)
11 April	Payment of final dividends declared for 2006 (subject to shareholders' approval at AGM)
April	Annoucement of first quarter results for financial year 2007
July	Announcement of first half results for financial year 2007 with media & analysts briefing
October	Annoucement of third quarter results for financial year 2007

Value Added Statement

($'000)

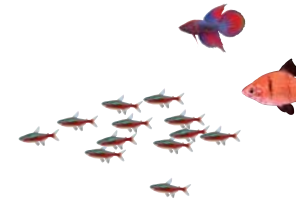
	2006	2005
Revenue earned	76,111	66,267
Less: Purchase of goods	(57,628)	(49,826)
Gross value added from operations	**18,483**	**16,441**
Other operating income	168	105
Exchange gain	293	197
Total value added	**18,944**	**16,743**
Distribution:		
To employees in salaries and other related costs	10,083	8,993
To government in corporate and other taxes	1,597	1,309
To providers of capital:		
- Interest paid on borrowings from bank	706	516
Retained for re-investment and future growth		
- Depreciation and amortisation	2,306	2,350
- Accumulated profits	2,617	2,030
- Minority interest	1,270	897
Non-production cost and income:		
- Bad debts and provision for doubtful debts	365	648
Total distribution	**18,944**	**16,743**

PRODUCTIVITY DATA	2006	2005
Number of employees	**608**	**603**
Value added per employee ($'000)	**31**	**28**
Value added per $ of employment cost	**1.88**	**1.86**
Value added per $ sales	**0.25**	**0.25**
Value added per $ of investment in property, plant and equipment	**0.50**	**0.52**

Group Financial Highlights

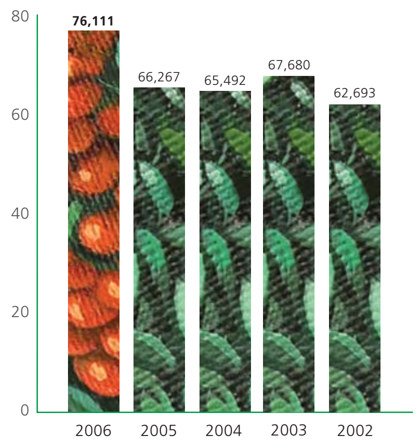
	2006	2005	2004	2003	2002
For the year					
Turnover	76,111	66,267	65,492	67,680	62,693
Earnings Before Interests, Tax, Depreciation and Amortisation (EBITDA)	8,307	6,948	6,095	11,514	10,041
Net Profit Before Tax	5,311	4,088	3,487	9,554	8,588
Net Profit After Tax and Minority Interest (PATMI)	2,617	2,030	1,627	7,016	6,547
Net Profit Margin (%)	3.4%	3.1%	2.5%	10.4%	10.4%
At Year End					
Total Assets	75,362	68,421	64,882	57,246	43,736
Net Tangible Assets	46,960	43,798	40,545	39,870	28,138
Total Equity	48,873	45,695	42,390	40,731	28,226
Total Liabilities	26,489	22,726	22,492	16,515	15,510
Cash and Cash Equivalent	5,467	4,336	4,153	4,124	7,821
Debt-to-Equity ratio (times)	0.54	0.50	0.60	0.45	0.56
Per Share					
Earnings Per Share (cents)	2.03	1.58	1.27	* 5.55	6.58
Gross Dividend Per Share (cents)	0.6	0.5	-	0.6	1.2
Net Assets Value (cents)	37.9	35.5	33.1	38.3	27.4
Net Tangible Assets (cents)	36.4	34.0	31.6	37.5	27.3
Returns (%)					
Return on Turnover	3.4%	3.1%	2.5%	10.4%	10.4%
Return on Shareholders' Equity	6.2%	5.0%	4.3%	19.2%	23.5%
Return on Total Assets	3.5%	3.0%	2.5%	12.3%	15.0%

* after adjustment for bonus issue in 2004



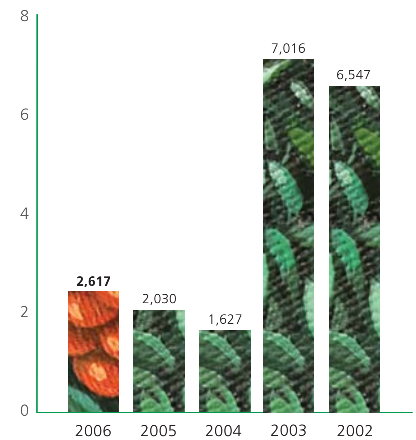
GROWTH INDICATORS

Turnover ($'000)



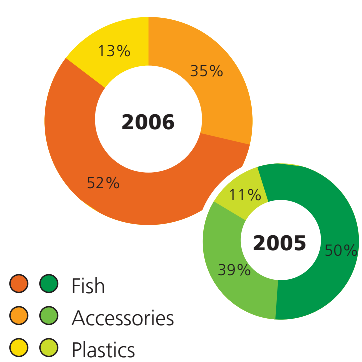
GROWTH INDICATORS

Net Profit ($'000)



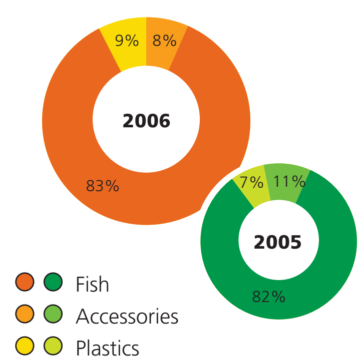
TURNOVER BY BUSINESS ACTIVITIES

(Year ended 31 December)



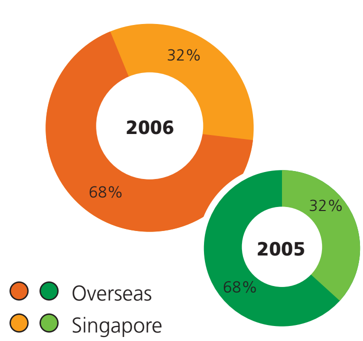
PROFIT BY BUSINESS ACTIVITIES

(Year ended 31 December)



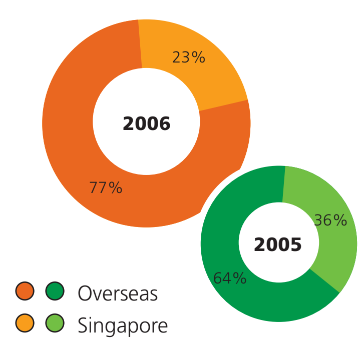
TURNOVER BY GEOGRAPHICAL LOCATION

(Year ended 31 December)



PROFIT BY GEOGRAPHICAL LOCATION

(Year ended 31 December)



Growth drivers – exporting more fish to more countries, increasing production of Dragon Fish to match demand, ramping up accessories production to more OEM customers, expanding retail stores in Malaysia, and adding distribution points in China.

Operating and Financial Review

Qian Hu is an integrated "one-stop" ornamental fish service provider ranging from breeding of Dragon Fish, farming, importing, exporting and distributing of ornamental fish as well as manufacturing of aquarium and pet accessories and distributing them to local and overseas customers.

Overview

Currently, Qian Hu has presence in four countries, namely, Singapore, Malaysia, Thailand and China, which consists of 10 subsidiaries (collectively known as "the Group").

The Group's main business activities can be classified into:

Ornamental Fish

The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming and distribution activities. Ornamental fish are imported from countries in Southeast Asia, South America and Africa. The Group currently exports over 500 species and varieties of ornamental fish directly to more than 65 countries as well as distributes to local retailers and exporters. The "Qian Hu" Dragon Fish is increasingly regarded as a premium brand in Northeast China.

Accessories

The distribution of accessories complements the ornamental fish operations by providing a "one-stop" shop to meet customers' aquarium needs. The Group distributes more than 5,000 types of aquarium and pet accessories for more than 20 major manufacturers and principals to local retailers and to wholesalers in Asia, including supermarkets operated by NTUC FairPrice, Cold Storage, Carrefour, Lotus and Tesco, etc.

In addition, the Group has developed its own house-brands of aquarium and pet accessories under the name "Ocean Free", "Delikate", "BARK", "Nature's Gift" and "ARISTO-CATS YI HU". The Group also has production facilities in Guangzhou, China to manufacture aquarium accessories for the Group as well as for third parties.

Plastics

As an ancillary business, the Group manufactures plastic bags in a separate factory located in Woodland for its own use in the packing of ornamental fish for sale. The plastic bags are also supplied to third parties in the ornamental fish, food and electronics industries.

Vision Objectives

To be the World's Number 1 ornamental fish exporter

Qian Hu is the only ornamental fish company in the world to be able to export fish from 4 countries, namely Singapore, Thailand, Malaysia and China. By exporting more fish to more customers and countries all over the world, while continuing to expand the domestic distribution network of ornamental fish in the 4 countries mentioned above, it will to become the world's number 1 exporter in time to come.

To expand "Qian Hu - The Pet Family" throughout Asia

In the process of professionalising a highly fragmented ornamental fish and aquarium & pets accessories retail market, Qian Hu has set up retail chain stores throughout the region under the name, "Qian Hu – The Pet Family", 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. With 12 retail chain stores set up as at 31 December 2006, the Group will continue to set up more chain stores in the current financial year, especially in Malaysia.

To be the top 3 manufacturers Of aquarium accessories In China

In order to capture a larger extend within the value chain as well as to build up its own brand of accessories products, the Group has increased the production capacity of its Guangzhou manufacturing base by moving into a bigger factory in 2004. With the increasing demand supported by its existing distribution network and with more of its suppliers and new customers from other parts of the world engaging the factory to produce their aquarium products (OEM), the Group is able to enhance its factory's production efficiency and hence, further increase the turnover and profit contributions from the Guangzhou factory with the aim to emerge as one of the top 3 manufacturers in China for aquarium accessories.

To be the most profitable Dragon Fish breeder

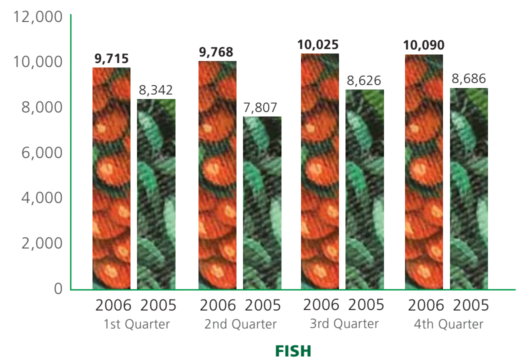
Qian Hu's collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish will enable increased production of Dragon Fish in its farms. This will enhance the Group's ability to ride on the growth in demand for Dragon Fish and improve profitability from its Dragon Fish sales.

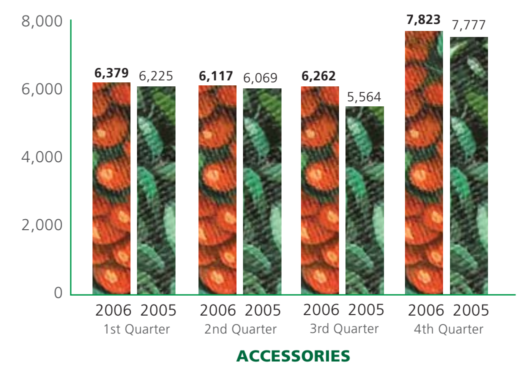
Financial Performance

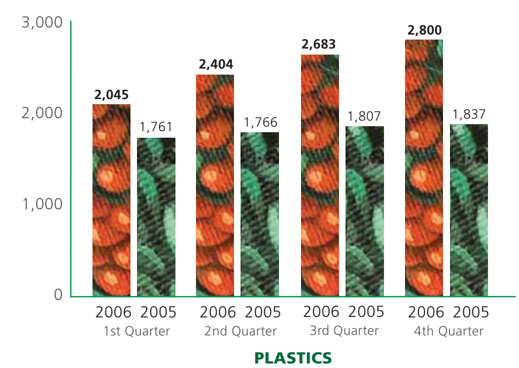
	2006 $'000	2005 $'000	Change %
SELECTED PROFIT AND LOSS DATA			
Turnover			
- Ornamental fish	39,598	33,461	18.3
- Accessories	26,581	25,635	3.7
- Plastics	9,932	7,171	38.5
Total turnover	**76,111**	**66,267**	**14.9**
Less : Cost of sales	(49,138)	(42,570)	15.4
Gross profit	**26,973**	**23,697**	**13.8**
Add : Other operating income	168	105	60.0
Less : Operating expenses	(21,830)	(19,714)	10.7
Operating profit	5,311	4,088	29.9
Add : Share of associate results	-	-	-
Profit before taxation	**5,311**	**4,088**	**29.9**
Less : Taxation	(1,424)	(1,161)	22.7
Less : Minority interests	(1.270)	(897)	41.6
Profit attributable to shareholders of the Company	**2,617**	**2,030**	**28.9**
SELECTED BALANCE SHEET DATA			
Total assets	**75,362**	**68,421**	**10.1**
- Property, plant and equipment	11,490	12,666	(9.3)
- Brooder stocks	15,280	9,962	53.4
- Inventories	23,369	21,930	6.6
- Trade receivables	15,913	15,126	5.2
- Cash and cash equivalents	5,467	4,336	26.1
Total liabilities	**26,489**	**22,726**	**16.6**
Total equity	**48,873**	**45,695**	**7.0**
Capital expenditure	**6,762**	**4,813**	**40.5**

Turnover

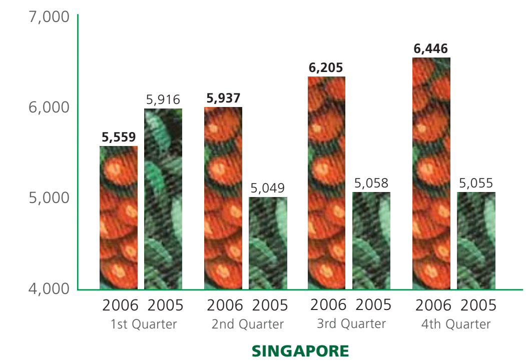
TURNOVER BY BUSINESS ACTIVITIES
(S'$000)

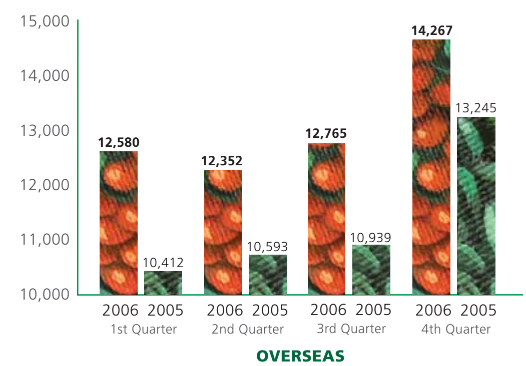






TURNOVER BY GEOGRAPHICAL LOCATION
(S'$000)





For the year ended 31 December 2006, the ornamental fish and accessories activities continued to be the Group's core activities, which together accounted for more than 85% of its total turnover. The Group's overall 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.

Ornamental Fish

Dragon Fish sales continued to dominate the growth in ornamental fish turnover in the current financial year, coupled with the continuous effort to increase 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 FY 2006 as compared to FY 2005. This increase was partially offset by the reduction in sales contributions from PT Qian Hu Aquarium & Pets Indonesia, which the Group has disposed of in December 2005.

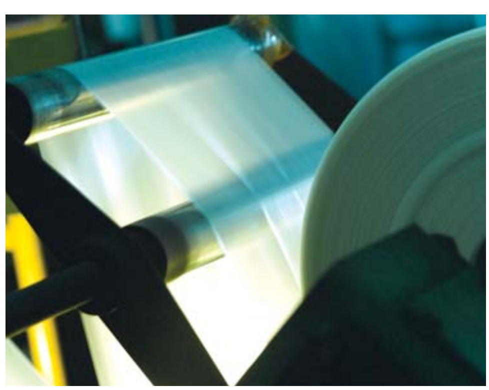
Accessories

As the domestic market stabilises, the increase in accessories turnover in the current financial year 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 the export of accessories to more overseas customers. In addition, the turnover from the Group's Guangzhou factory has increased in FY 2006 as it managed to secure more manufacturing orders from its new and existing OEM customers.

Plastics

Turnover from plastics activities is experiencing steady growth every quarter. Its turnover registered in FY2006 surged as comparable to the previous financial year as it managed to focus on generating sales through selling more high-value items and expanding its distribution channel and enlarged customer base.

On a geographical basis, turnover from Singapore and overseas grew by 12.7% and 15.0% respectively in FY 2006 as compared to FY 2005. 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 the distribution network into overseas untapped markets contributed to the increased in overseas turnover.



Operating Expenses

The breakdown of operating expenses is set out as follows:

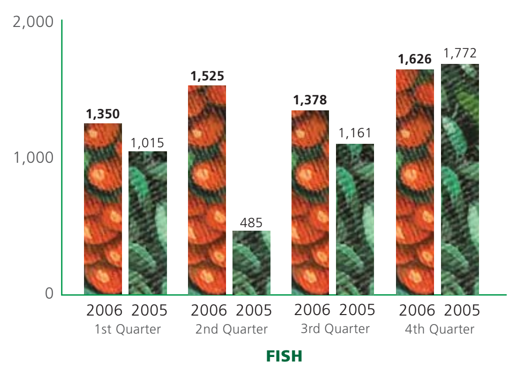
	2006 $'000	2005 $'000	Change %
STAFF COST			
Directors' remuneration	1,318	1,264	4.3
Salary and related cost	7,599	6,743	12.7
Provident Fund contribution	594	598	(0.7)
Staff welfare benefits	572	388	47.4
Total staff cost	**10,083**	**8,993**	**12.1**
PREMISES AND EQUIPMENT			
Depreciation of fixed and biological assets	2,262	2,312	(2.2)
Rental of premises	1,294	1,083	19.5
Upkeep, repair and maintenance	897	800	12.1
Total premises and equipment	**4,453**	**4,195**	**6.2**
Selling and distribution expenses	**2,480**	**2,102**	**18.0**
Interest expenses (net)	**690**	**510**	**35.3**
Allowances for			
- Doubtful trade receivables	**295**	**260**	**13.5**
- Due from associates	**70**	**364**	**(80.1)**
Exchange gain (net)	**(293)**	**(197)**	**48.4**
Utilities	**1,146**	**833**	**37.6**
Consultancy and professional fees	**393**	**574**	**(31.5)**
Other operating expenses	**2,513**	**2,080**	**20.8**
Total operating expenses	**21,830**	**19,714**	**10.7**
Group staff strength	**608**	**603**	**0.8**

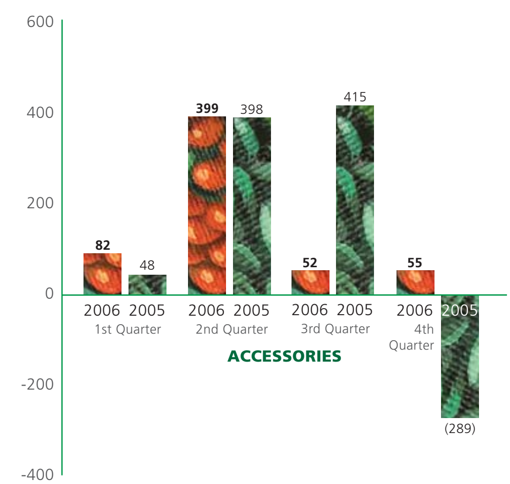
Operating expenses incurred were higher in the current year as compared to FY 2005 which was in line with the expansion of the Group's operations.

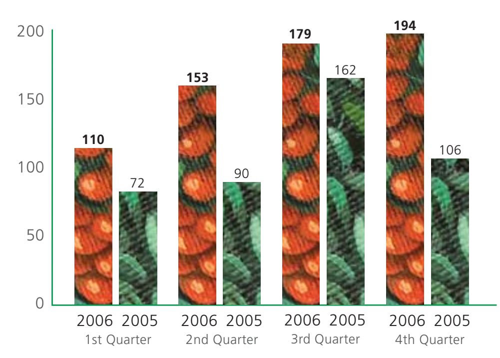
The increase in interest expenses for the year ended 31 December 2006 was mainly due to interest incurred on additional bank borrowings during the financial year. In addition, the interest rates charged by financial institutions on the borrowings were higher in FY 2006 than that of FY 2005.

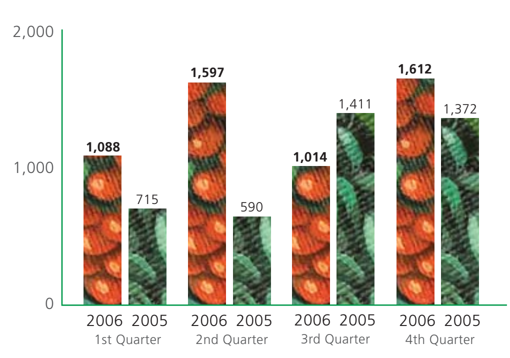
Profitability

PROFIT BY BUSINESS ACTIVITIES
($'000)









The better performance from all business activities in FY 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 financial year. Profit after taxation attributable to shareholders of the Company increased by 28.9% from $2.0 million in FY 2005 to approximately $2.6 million in FY 2006. The fish business remained the main profit contributor in FY 2006.

Ornamental Fish

The Group's increase in operating profit from the ornamental fish activities was in line with the higher sales recorded and the better margins yielded from the sale of self-bred Dragon Fish.

Accessories

Despite a higher turnover, the accessories business registered a marginal increase in profit as a result of the conscientious effort made throughout the year to reduce the Group's inventory level which has affected the profitability of the accessories business as compared to its previous financial year.

Plastics

Operating profit from the Group's plastics activities continued to record promising growth each quarter, which was in line with the significant improvement in turnover.

Taxation

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. This is mainly due to:

(i) losses incurred by some subsidiaries which cannot be offset against profits earned by other subsidiaries 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

(ii) varying statutory tax rates of different countries in which the Group operates.

Cash Flows & Liquidity

Cash & Cash Equivalents

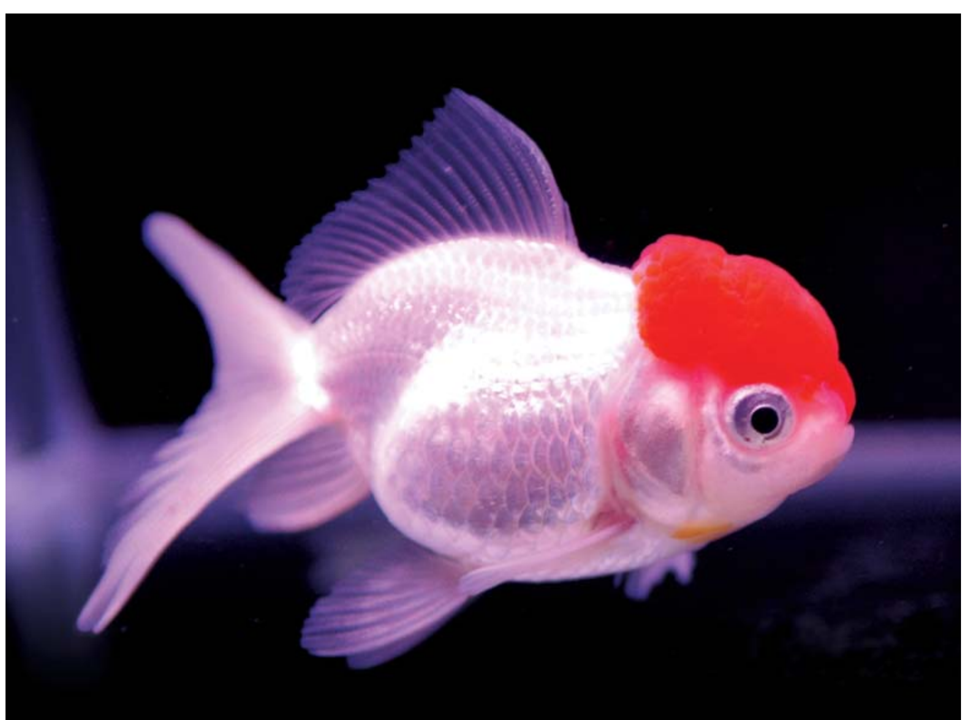
The movement in cash and cash equivalents is set out as follows:

	2006 $'000	2005 $'000
Cash generated from operating activities	8,652	6,700
Cash used in investing activities	(6,599)	(4,043)
Cash used in operating activities	(922)	(2,474)
Net increase in cash and cash equivalents	1,131	183
Cash and cash equivalents as at end of year	**5,467**	**4,336**

The Group's **net cash generated from operating activities** for the year ended 31 December 2006 improved significantly as higher operating profit were generated during the current year as compared to FY 2005. In addition, the Group was able to better manage its cash flow by securing better credit terms from the 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 in both 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.



Indebtedness

The amount of Group's borrowings for both the financial years is as set out below:

	2006 $'000	2005 $'000
Due within 1 year:		
Bills payable to banks		
- Secured	-	1,469
- Unsecured	5,157	1,241
Finance lease obligations	182	261
Short term bank loans (unsecured)	6,300	6,200
Long term bank loans, current portion		
- Secured	40	161
- Unsecured	196	-
Bank overdraft	174	438
	12,049	9,770
Due after 1 year:		
Finance lease obligations	109	214
Long term bank loans		
- Secured	128	906
- Unsecured	553	-
	790	1,120
Total Indebtedness	**12,839**	**10,890**
Debt-to-Equity ratio	0.54	0.50

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 3 subsidiaries amounting to $7.6 million (2005: $5.1 million), of which approximately $5.06 million (2004: $2.97 million) had been utilised.

In addition to the above, the Group has non-cancellable operating lease commitments relating to the premises for the fish farms in Singapore and China, office and factory premises for its local and overseas subsidiaries amounted to $1.3 million as at 31 December 2006, of which $0.3 million is due within 12 months.

Risk Factors & 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. The Group has institutionalised a comprehensive health management and quarantine system for all the domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for the fishes. Currently, all of the Group's 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. The Group currently operates in 4 countries with assets and activities spreading across the Asia Pacific. As at 31 December 2006, 66% of the Group's assets are located overseas as compared to 65% in FY 2005. Turnover from overseas' customers constitute 68% of the total turnover in FY 2006.

In view of the 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. A boarder base of significant customers will reduce the risk of concentration in a single operation.

Product Risk

For the year ended 31 December 2006, the Group's Dragon Fish sales contributed approximately 25% of the Group's total turnover. The Group sells over 500 species and varieties of ornamental fish and more than 5,000 types of accessories to more than 65 countries and is not reliant on the sale of any particular type or specimen of fish and accessories.

Investment Risk

The Group grows its businesses through organic growth of its 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 the 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.

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

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. The Group's cash balances are placed with banks and financial institutions which are regulated.

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

Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to interest-bearing financial assets and liabilities. Interest rate risk is managed on an on-going basis with the objective of limiting the extent to which net interest expenses could be affected by an adverse movement in interest rates.

The Group obtains additional financing through bank borrowings and finance lease arrangements. It is the 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 the Group has sufficient funds to meet its contractual and financial obligations. To manage liquidity risk, the Group monitors its net operating cash flow 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

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

Investment for the Future

The Group's future growth depends on its ability to extract maximum potential from the overseas network and see them move from gestation to maturity both in the ornamental fish and accessories segment.

Accordingly, the Group has engaged in the following activities to enhance its competitiveness so as to achieve its vision objectives:

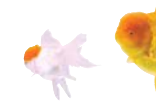
Human Resources

The biggest challenge for Qian Hu is always to get enough talent to execute its expansion plan. Therefore, the Group has formulated the following human resource strategies:

- Competitive employee: Designing innovative and flexible recruitment and retention strategies that effectively position Qian Hu as an employer of choice.
- Competent resource: Build a robust and effective manpower planning system, particularly to support company's globalisation and customer centric business direction and objectives.
- Learning and thinking workforce: Fostering a culture of learning, innovation, creativity, and continuous improvement in a team based environment.
- Family culture environment: Promoting and inculcating a one big family culture, resulting in an integral bond of trust and integrity to everything we do.
- Management trainee scheme: Management trainees recruited for posting to various countries under the supervision of senior managers. They will eventually form the core group of the succession team.

R&D Project

The Group believes that in order to be ahead of the pack, it must excel in know-how. In the coming years, it is envisaged that there would be an increasing demand for Dragon Fish in the region. The Group's position as an integrated fish service provider will be further strengthened by its recent collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish which will enable increased production of Dragon Fish in the farms. After completing 3 years of the 4-year project, the Group has yielded some interesting results which will be published when the whole project is completed.



Branding Project

Qian Hu has set up a Branding Committee chaired by one of its independent director, Mr. Tan Tow Ee. Its committee members comprise the senior management of the Group, including the CEO. The Group has invested in a branding project supported by IE Singapore to create awareness of the "Qian Hu" name and to build a total image for the Group. With the setting up of more "Qian Hu - The Pet Family" chain stores in the various countries, it will also be able to enhance Qian Hu's brand name in the region.

Customer Relationship Management

As a knowledge-based company committed to automation and use of advanced technologies, Qian Hu's Customer Relationship Management's (CRM) framework has provided an avenue for global networking, exchange ideas, knowledge and best practices among investors, customers, suppliers, experts, hobbyist, etc where information is captured through forum, advertising, posting, feedback form, sales enquiry, etc, and disseminated via internet applications, mass email broadcast and VoiceXML application. With the SQA framework in place, CRM will be an area for the Group to enhance and improve on continuously.

Capital Expenditure

In FY 2006, capital expenditure incurred for infrastructure and farm facilities in both the Singapore and overseas entities amounted to $1.1 million. The purchase of brooder stocks have accounted for $5.7 million of the capital expenditure for the financial year.

Bulk of the capital expenditure in FY 2007 will be for the setting up of the retail chain stores in Malaysia, in addition to the on-going maintenance of the Group's farm facilities.

Returns to shareholders

Earnings per ordinary share (EPS)

The basic and diluted EPS for FY 2006 was 2.03 cents. Compared to FY 2005, both basic and diluted EPS increased by 0.45 cents, which was in line with the higher profit after tax recorded in FY 2006.

Net asset value per share

The increase in net asset value per share from 35.5 cents in FY 2005 to 37.9 cents in FY 2006 was a result of profit registered in FY 2006.

Dividends

As the Group is still growing its operations, cash is needed for its expansion. On the other hand, the Company would like to reward its supportive shareholders. As such, the Group has not set a concrete dividend policy at present. Qian Hu paid a gross final dividend of 0.5 cents per ordinary share in respect of financial year 2005. For the financial year ended 31 December 2006, the Directors are pleased to recommend a gross final dividend of 0.6 cents per ordinary share. The proposed dividend took into consideration the Group's profit growth, cash position, positive cash flow generated from operations, tax credit balances and the projected capital requirements for business expansion. Payment of dividends is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

Our Stakeholders

Everyone in Qian Hu is regarded as family members, and we want to inculcate a "People First" culture. Besides prioritising staff welfare, we have a systematic performance appraisal system in place to ensure that every Qian Hu staff continues to be motivated to bring more value to the Group.

Developing Our People

Qian Hu is not all about nurturing fish. Certified as a People Developer since January 2006, Qian Hu is focused on developing a learning and thinking workforce led by a strong and supportive management team. With this framework in place, the Group is able to commit the necessary resources to facilitate the growth of our people in and out of our industry as we are keenly aware that people development needs to be a long-term commitment between the staff and the Group. After all, everyone in Qian Hu is regarded as family members, and we want to inculcate a "People First" culture. Besides prioritising staff welfare, we have a systematic performance appraisal system in place to ensure that every Qian Hu staff continues to be motivated to bring more value to the Group.

We are fully committed to continual training within the Group. For the last three financial years, our Group's total training expenses stood at approximately 1.9% of total payroll and we expect to keep this to around 2% of total payroll. In FY 2006, we invested in a total of 53 training hours per staff, which is above our target of 40 hours.

Aside from on-the-job training, as well as skills development programmes such as Enhanced Customer Service Training and Problem Solving and Creativity, our directors are also mobilised to share their knowledge in their respective professional fields. Besides our board of directors, some of our managers are also contributing their experience outside the Group. Our Human Resource Manager, Raymond Yip, is a qualified Assessor to Spring Singapore's Service Quality Assessment programme, whilst our Finance Director, Lai Chin Yee, was recently appointed by the Ministry of Finance to the Council on Corporate Disclosure and Governance (CCDG).

Qian Hu's culture of excellence is regularly communicated through quarterly staff dialogue sessions, monthly birthday gatherings, recreational activities, annual dinners, staff awards and community outreach programmes. Such events nurture and support teamwork, allowing inter-departmental interaction, keeping employees engaged and understanding of the business directions, opportunities to address problems openly and expeditiously, thereby strengthening a culture of drive, openness and care which embodies the Qian Hu spirit of family.

Management trainees

To ensure continuity, Qian Hu seeks to build its pool of management talent comprising people who identify with our corporate values, culture and business objectives. Management trainees are sent on postings to its overseas subsidiaries for a number of years, thereby helping them to gain a more rounded, cross-cultural experience as well as an in-depth appreciation of the industry at a regional level. Our management development programme also includes the opportunity to be trained at one of our many reputable partners, and then transferring the know-how to the Group.

Our Shareholders & Investors

Accessibility to the media and key stakeholders in the investment community has become a key feature of Qian Hu's investor relations activities, guided by our committed in carrying out the best practices in corporate transparency and governance.

Over the years, we have been recognised for our efforts by our winning awards such as the Most Transparent Company Award from the Securities Investors Association (Singapore) since 2001. We have also regularly topped the Business Times Corporate Transparency Index (CTI).

We understand the importance of having accessibility to the media, analysts and the investing public through an effective investor relations programme. Since our listing in 2000, we have been very committed and innovative in demonstrating our corporate responsibility. For instance, we were the first listed company to record the comments of our shareholders at our annual general meetings, and making the minutes available on both the SGXNET and **www.qianhu.com**.

Our results briefings, held twice yearly, are open to the media, analysts and investment community. Those who cannot make it have the option to watch it through recorded video webcasts. This year, we upped the ante by offering a live audio webcast.

After our results announcements, we usually offer the investment community derive deeper understanding of our business and industry through an online open forum on Shareinvestor.com. We are also the first to offer an automated phone hotline service where callers are able to get information on their reward points, give feedback and even obtain the latest Qian Hu stock quotes in real-time.

Awards

Recognition for Business Excellence

People Developer Standard – Awarded by Spring Singapore (January 2006)

ZDNet Asia Smart50 – Awarded by ZDNet Asia in recognition of our IT initiative "FISH"

Singapore Quality Award 2004 – Awarded by Spring Singapore

International Headquarters Award 2003 – Awarded by Ministry of Trade and Industry

Recognition for Excellence in Corporate Transparency

Business Times' Corporate Transparency Index 2004, 2005 and 2006
- Top ranking

Singapore Corporate Awards 2006
- Best Investor Relations Award (Gold - Market capitalisation of less than $500 million)
- Best Annual Report Award (Gold - Market capitalisation of less than $500 million)

SIAS Most Transparent Company Award 2006
- Runner-up in Mainboard Small Caps (up to $100 million) category

SIAS Most Transparent Company Award 2005
- Runner-up in Mainboard Small Caps (up to $100 million) category

SIAS Most Transparent Company Award 2004
- Winner in Mainboard Small Caps (up to $100 million) category
- Runner-up in Services/Utilities/ Agriculture category


Glass Fish

idea by Ms Jennie Chua,
President and CEO of Raffles Holdings Ltd

SIAS Most Transparent Company Award 2003
- Winner in Services/Utilities/Agriculture category
- Golden CIrcle Special Merit Award

Recognition for Corporate Goverance

Best Managed Board Award (Special Mention) – November 2003
Awarded by Singapore Institute of Directors, Hewitt Associates, The Business Times and Singapore Business Federation

Our Environment

At Qian Hu, we balanced our goals of creating value in our business with a strong responsibility to minimise the impact that our business activities have on the environment. Through our ISO-14001 certified Environmental Management System, we strive to preserve and recycle our natural resources in our daily activities. Not neglecting the plight of endangered wildlife, our entire operations are in compliant with the standards set out by the United Nations' Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Our Community

Extending care and concern to the community at large is also an important part of Qian Hu's family culture. After all, our business is about enhancing the modern lifestyle and the environment.

Since 2001, Qian Hu has implemented a scheme where staff members are encouraged to donate to charities and the Company will match their donations, dollar-for-dollar. This year, outreaches to two homes were organized – Apex Day Rehabilitation Centre where we donated $3,000, and Geylang East Home for the Aged where a donation of $2,000 was presented.

Every year, we organise a charity exhibition at a shopping mall to promote the hobby of fish-keeping. This year, two exhibitions were held – at Bishan's Junction 8 and Parkway Parade.









Qian Hu Story

Qian Hu's history can be traced back to the early days of the Company's pioneers, two brothers who were in the pig farming business – Mr Yap Tik Huay, the father of the Group's Executive Chairman Kenny Yap, and his brother Yap Hey Cha.

1985 In 1985, the pig farm was eradicated due to the Government's move to stem pollution and free up more land for residential development. At that point in time, Tik Huay's three sons, Yap Peng Heng, Yap Hock Huat and Yap Kim Choon joined the family business. They converted the old pig pens into concrete ponds and started breeding guppies for the local fish exporters. However, in 1989, during a heavy thunderstorm, their entire stock of guppies was washed away.

Having to start all over again, and with a new name "Qian Hu" – which means a thousand lakes in Chinese, Kenny and two of his cousins, Alvin and Andy, were more than ever determined to put their collective efforts towards rebuilding Qian Hu.

Little did they realise, however, that they were in for another setback.

After their failure in rearing guppies, they went on to farm high-fin loaches despite knowing very little about this particular variety of fish. In one fell swoop, their entire stock of 4,000 loaches died. They lost almost everything, except for their resolve, mettle and drive to succeed. Since then, however, they learnt from this lesson, realising their mistake of not diversifying risks, and not knowing enough about their products. In fact, this lesson was so valuable to them that the high-fin loach became Qian Hu's mascot to serve as a daily reminder of where they were, and where they never wanted to be again.

1990 In 1990, Qian Hu expanded into the local wholesale distribution business, and increased its range of ornamental fish to include Discus, Chichlid, and Gourami. It also began diversifying into the aquarium accessories business. Two years later, Qian Hu started exporting to the rest of the world, a journey that helped position Singapore as a major player in the export of ornamental fish.

1993 In 1993, Qian Hu entered into a joint venture with The China Aquaculture Society and incorporated Beijing Qian Hu Aquarium and Pets Co., Ltd, based in Beijing, to supply cold-water ornamental fish and aquarium accessories to Northern China. Two years later, Qian Hu acquired full ownership of the joint venture company.

1995 In 1995, a year after the move to its present location within Sungei Tengah Agrotechnology Park, Qian Hu developed quality systems for its operations, leading to three ISO 9002 certifications for conditioning and packing of ornamental fish for export (1996); the trading, quarantine and breeding of Dragon Fish (1997), and the retail and wholesale of aquarium accessories and pet products (2000).

The farm was landscaped in such a way that runoffs from heavy rainfall would not affect the fish stock and breeding ponds. This unique system of recycling water won Qian Hu the ISO 14001 certification for its environmental management system involved in importing, exporting, conditioning, distributing and farming of tropical fish in 1998.

1997 1997 was another exciting year for Qian Hu. During that year, its proprietary auto-packing machines for the packing of ornamental fish – a project encouraged by the Agri-food and Veterinary Authority of Singapore (AVA), and partially funded by the EDB Innovative Development Scheme – was launched. This was followed by Qian Hu's admission into the Productivity and Standards Board's Promising Small and Medium Enterprises Programme, which helped the Group formulate and develop its strategic business plan.

1999 Since 1999, Qian Hu began distributing aquarium and pet accessories to Malaysia, China and Thailand. Much growth was expected in this business as for every dollar spent on ornamental fish, five more would be spent on accessories.

2000 The year 2000 not only marked the beginning of the new millennium, it was also the year that Qian Hu Corporation Limited was listed on the Singapore Exchange's SESDAQ.

Its goal is to create shareholders' value by becoming a world-class ornamental fish and accessories company, through its spirit of innovative as well as product and service quality.

2001 A joint venture company in Guangzhou was established in 2001 together with a Taiwanese partner, to produce the Group's proprietary brands of aquarium and pet accessories as well as other third party brands. These accessories were being distributed throughout the Group's regional subsidiaries, and in other countries such as Japan, Germany, United Kingdom and beyond. Qian Hu subsequently increased its stake in the joint venture, thus making it a wholly owned subsidiary of the Group.

Qian Hu was honoured for its commitment towards good corporate governance and transparency when it was voted one of the Most Transparent Companies (SESDAQ/Small Caps – up to $100 million category) by the Securities Investors Association (Singapore).

In that same year, the Group set up a new subsidiary in Thailand – Thai Qian Hu Company Limited – which had received approval from the country's Board of Investments to export and distribute tropical fish.

2002 2002 was an extremely eventful year for Qian Hu as it was transferred to the Mainboard of the Singapore Exchange in November. Its corporate achievements were also broad-based, such as one of the Most Transparent Companies (SESDAQ/Small Caps) by Securities Investors Association (Singapore) for the second time running; Most Admired Company on SESDAQ; highly commended for Best Overall Investor Relations award by IR Magazine Asia and Asian Wall Street Journal; first runner-up in the Best Annual Report Award (SESDAQ category) as well as being among the top 3 "Best Small Companies" in a poll organised by Asiamoney.

That was also the year that a new fish division in Qian Hu (Malaysia) was set up and an associate company, Jin Jien Hsing Enterprises Ltd, a distributor of pet foods in Taiwan, joined the Group.

2003 In 2003, Qian Hu made a step towards backward integration by acquiring a leading Dragon Fish breeder in Batu Pahat, Malaysia – Kim Kang Aquaculture Sdn Bhd. This helps to secure a consistent and reliable supply of the highly-prized Arowana for our overseas subsidiaries as well as new markets in Taiwan and China.

In addition, Beijing Qian Hu and Guangzhou Qian Hu in 2003, joined the many of Qian Hu's overseas units such as Qian Hu Tat Leng, Qian Hu (Malaysia) and Thai Qian Hu, to receive the international mark of quality – ISO 9001.

To improve the communications with customers, investors and shareholders, an intelligent customer service phone hotline, Qian Hu Voice, was launched. With this system, callers are able to get information on their reward points, give feedbacks and even obtain the latest Qian Hu stock quotes in real-time.

Qian Hu was also granted a Development and Expansion Incentive under the International Headquarters Award from the Economic Development Board in 2003. With this incentive, we enjoy a concessionary tax rate of 10% on the qualifying income for 5 years beginning 1 January 2003.

The Group continued to be recognised for its corporate governance and transparency efforts, culminating in our winning a Special Mention Award in the Best Managed Board Awards; the Most Transparent Company Award from Securities Investor Association (Singapore) for the third consecutive year, as well as the Golden Circle Special Merit Award in the SIAS Investors' Choice Awards 2003.

2004

2004 was a major milestone year for Qian Hu as we launched our retail chain store strategy throughout Asia – in cities such as Shanghai, Kuala Lumpur, Batu Pahat and Bangkok. Brand-named "Qian Hu - The Pet Family", these retail chain stores sells both ornamental and related aquarium and pet accessories with some stores in selected cities offering pet grooming services.

During the year, Qian Hu continues to gain recognition for its corporate transparency and quality management with awards such as the Singapore Quality Award 2004 from Spring Singapore, as well as the Most Transparent Company Award 2004 from the Securities Investor Association (Singapore). It came in tops in the Mainboard Small Caps (up to $100 million) category and as runner-up in the Services/Utilities/Agriculture category.

2005

For the second year running, Qian Hu was named the most transparent company on the Singapore Exchange when it received top marks in the 2005 Corporate Transparency Index (CTI) published by the Business Times.

Indeed 2005 was a year of transformation and consolidation after the Group underwent a period of rapid expansion, particularly in setting up "Qian Hu - The Pet Family" retail chain stores. By reducing our inventory, the Group sought to increase cash generated and thus reducing gearing. It consolidated its resources and continued to grow, albeit at a much slower pace. Qian Hu managed to report incremental growth in sales and profit from quarter to quarter throughout the year.

2006

A turnaround year for Qian Hu as all of our core business did well, including our 12 retail chain stores in Malaysia, Thailand and China.

Once again, Qian Hu demonstrated its commitment to excellence in corporate transparency by bagging the top spot in the Business Times' Corporate Transparency Index for 2006 which has been revamped using a much stiffer scoring system to recognise certain emerging best practice in corporate transparency.

In January 2006, Qian Hu was also awarded the People Developer Standard for its best practices in Human Resource management.

The Group also received two gold awards at the Singapore Corporate Awards – one for Best Investor Relations and the other was for Best Annual Report (both in the market capitalisation of less than $500 million category). We were runner-up for the Most Transparent Company Award for Mainboard Small Caps (up to $100 million) category as well.

In addition, Qian Hu is one of the award winners in the ZDNet Asia Smart50 with Special Mention for its efforts in implementing an important IT initiative called "FISH" to streamline its supply chain processes and inventories and allow wholesale and retail customers to track orders online.

Report on Corporate Governance

The Board of Directors and Management continue to be committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2005 (the "Code") issued by the Ministry of Finance on 14 July 2005.

The Board believes that good and well-defined corporate governance establishes and maintains an ethical environment and is an integral element of a sound corporation which provides a solid foundation for a company to be more transparent and forward-looking. It enhances corporate performance and accountability and helps the Company creates long-term sustainable growth and returns for the shareholders.

This report describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code. The Board is pleased to confirm that for the financial year ended 31 December 2006, the Company has generally adhered to the principles and guidelines as set out in the Code, except for Guideline 3.1 (Chairman and CEO should be separate persons), the reason for which deviation is explained below.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board of Directors (the "Board") comprises four executive directors and three independent directors having the appropriate mix of core competencies and diversity of experience, which in the course of deliberations, they are obliged to act in good faith and consider all times the interest of the Company.

The primary function of the Board is to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board roles are to:

- guide the formulation of the Group's overall long-term strategic objectives and directions. This include setting the Group's policies and strategic plans and monitor the achievement of these corporate objectives;
- establish a proper risk management system to ensure that key potential risks faced by the Group are properly identified and managed;
- conduct periodic reviews of the Group's internal controls, financial performance, compliance practices and resource allocation;
- provide oversight in the proper conduct of the Company's business and assume responsibility for corporate governance; and
- ensure Management discharges business leadership and management skills with the highest level of integrity.

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, annual budget, the release of the Group's quarterly, half year and full year's results and interested person transactions of a material nature.

The Board conducts scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly results. Ad-hoc Board meetings are convened as and when they are deemed necessary in between the scheduled meetings. The Articles of Association of the Company provide for directors to convene meetings by teleconferencing or videoconferencing. When a physical meeting Board meeting is not possible, timely communication with members of the Board can be achieved through electronic means.

In the course of the year under review, the number of board meetings held and the attendance of each board member at the meetings were as follows:

Name of director	Number of Board Meetings held	Attendance
Kenny Yap Kim Lee (Chairman)	4	4
Alvin Yap Ah Seng	4	4
Andy Yap Ah Siong	4	4
Lai Chin Yee	4	4
Robson Lee Teck Leng	4	4
Chang Weng Leong	4	3
Tan Tow Ee	4	4

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Executive Committee, an Audit Committee, a Nominating Committee and a Remuneration Committee. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

The Executive Committee was established in July 2000. It is chaired by Mr Kenny Yap Kim Lee and comprises all the executive directors and the Group General Manager. The Executive Committee is entrusted with the conduct of the Group's business and affairs, in line with the overall strategy set by the Board. The Committee meets on a monthly basis and on such other occasions where necessary.

The number of meetings held and attendance at the meetings during the last financial year were as follows:

Name of director / executive	Appointment	Number of meetings held	Attendance
Kenny Yap Kim Lee (Chairman)	Executive Director	12	12
Alvin Yap Ah Seng (Member)	Executive Director	12	12
Andy Yap Ah Siong (Member)	Executive Director	12	12
Lai Chin Yee (Member)	Finance Director	12	12
Low Eng Hua (Member)	Group General Manager	12	4 (on overseas posting)

Details of the Nominating Committee, Remuneration Committee and Audit Committee are set out on pages 68, 71 and 73 of this Annual Report respectively.

A formal letter is sent to newly - appointed directors upon their appointment explaining their statutory duties and responsibilities as directors. All new and existing directors undergo comprehensive orientation and training programme to develop the requisite individual skills. They are given training appropriate to the level of their previous experience and are provided with extensive background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. The Board as a whole is updated regularly on risks management, corporate governance and the key changes in the relevant regulatory requirements and financial reporting standards.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises seven directors of which three are independent directors. They are Mr Robson Lee Teck Leng, Mr Chang Weng Leong and Mr Tan Tow Ee. The criterion of independence is based on the definition given in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs. With three of the directors deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues. Furthermore, the Board is able to interact and work with the Management team through robust exchange of ideas and views to help shape the Group's strategic direction.

The size and composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

The independent directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and the remuneration of the Executive Directors.

The profiles of the directors are set out on pages 28 and 29 of this Annual Report. The Board considers its current Board size appropriate for the nature and scope of the Group's operations.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Group's Executive Chairman and CEO, Mr Kenny Yap Kim Lee, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. In addition to the day-to-day running of the Group, he is to ensure that each member of the Board and the Management works well together with integrity and competency. As the Executive Chairman and CEO, he, with the assistance of the Company Secretaries, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness and timeliness of information flow between the Board, Management and shareholders of the Company. He encourages constructive relations between the Board and Management and between the executive directors and the independent directors. He also takes a leading role in ensuring the Company's compliance with corporate governance guidelines.

All major decisions made by the Executive Chairman and CEO are reviewed by the Audit Committee. His performance and appointment to the Board is reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and the Remuneration Committee comprise only of the independent directors of the Company. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The Board established the Nominating Committee in July 2002. The Nominating Committee comprises the three independent directors of the Company, viz Mr Tan Tow Ee as the chairman, and Mr Robson Lee Teck Leng and Mr Chang Weng Leong as members. The chairman of the Nominating Committee is not associated in any way with the substantial shareholders of the Company.

The responsibilities of the Nominating Committee are to determine the criteria for the appointment of new directors; to set up a process for the selection of such appointment and to review nominations for the appointment of directors to the Board and also to decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the position. The Nominating Committee then nominates the most suitable candidate who is only appointed to the Board.

In addition, the Nominating Committee also performs the following functions:

- assess the contribution of each individual director to the effectiveness of the Board;
- re-nominate director for re-appointment, having regard to the director's contribution and performance;
- review the composition of the Board annually to ensure that it has appropriate balance of independent directors;
- determine on an annual basis whether a director is independent;
- decide whether a director is able to and has been adequately carrying out his or her duties as a director of the Company, particularly where the director has multiple board representations; and
- identify gaps in the mix of skills, experience and other qualities required in an effective board so as to better nominate or recommend suitable candidates to fill the gaps.

In determining the independence of directors annually, the Nominating Committee reviewed and is of the view that Mr Tan Tow Ee, Mr Robson Lee Teck Leng and Mr Chang Weng Leong are independent and that, no individual or small group of individual dominate the Board's decision-making process. The Nominating Committee has also reviewed and is satisfied that Mr Robson Lee Teck Leng, who sits on multiple boards, has been able to devote adequate time and attention to the affairs of the Company to fulfill his duties as director of the Company, in addition to his multiple board appointments.

The Nominating Committee regulates its own procedures and in particular the calling of meetings, notice to be given of such meetings, the voting and proceedings thereat. The Company also maintains records of the deliberations and proceedings of the Nominating Committee.

The number of meetings held and attendance at the meetings during the last financial year were as follows:

Name of director	Appointment	Number of meetings held	Attendance
Tan Tow Ee (Chairman)	Independent	1	1
Robson Lee Teck Leng (Member)	Independent	1	1
Chang Weng Leong (Member)	Independent	1	1

All directors, including the CEO, submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years. Pursuant to Article 89 of the Company's Articles of Association, one-third of the Board of directors are to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). In addition, Article 88 of the Company's Article of Association provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every 3 years.

The dates of initial appointment and last re-election of each director, together with their directorship in listed companies are set out below:

Name of director	Appointment	Date of initial appointment	Date of last re-election	Directorships in listed companies
Kenny Yap Kim Lee Age: 41	Executive / non-independent	12 December 1998	10 March 2006	Qian Hu Corporation Limited
Alvin Yap Ah Seng Age: 41	Executive / non-independent	12 December 1998	10 March 2004	Qian Hu Corporation Limited
Andy Yap Ah Siong Age: 40	Executive / non-independent	12 December 1998	10 March 2004	Qian Hu Corporation Limited
Lai Chin Yee Age: 41	Executive / non-independent	1 November 2004	18 March 2005	Qian Hu Corporation Limited
Robson Lee Teck Leng Age: 38	Non-executive / independent	18 October 2000	18 March 2005	Qian Hu Corporation Limited Sim Lian Group Limited Serial System Limited Best World International Limited Youcan Foods International Ltd Man Wah Holdings Limited Matex International Limited China Energy Limited
Chang Weng Leong Age: 44	Non-executive / independent	18 October 2000	18 March 2005	Qian Hu Corporation Limited
Tan Tow Ee Age: 44	Non-executive / independent	1 May 2002	10 March 2006	Qian Hu Corporation Limited

According to Article 89 of the Company's Articles of Association, Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong will retire at the Company's forthcoming AGM and be eligible for re-election.

The shareholdings of the individual directors of the Company are set out on page 78 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Board performance is ultimately reflected in the performance of the Group. The Board should ensure compliance with the applicable laws and the Board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders. An effective Board is able to lend support to Management at all times and to steer the Group in the right direction.

The Nominating Committee has established an appraisal process to assess the performance and effectiveness of the Board as a whole as well as to access the contribution of individual directors. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the directors' standards of conduct. The Board has taken the view that financial indicators, as set out in the Code as a guide for the evaluation of the Board and its directors, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to directors.

More importantly, the Board, through the Nominating Committee, has used its best effort to ensure that directors appointed to the Board whether individually or collectively possess the background, experience, knowledge in our business, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

Reviews of the Board performance, as appropriate, are undertaken collectively by the Board annually and informally on a continual basis by the Nominating Committee.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

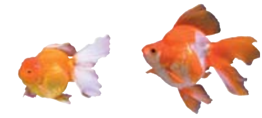
All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with detailed information concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management. In addition, they receive monthly management financial statements to enable them to exercise oversight over the Group's operational and financial performance.

The agenda for Board meetings is prepared in consultation with the Executive Chairman. As a general rule, detailed Board papers are prepared for each meeting and are normally circulated five days in advance of each meeting. However, sensitive matters maybe tabled at the meeting itself or discussed without papers being distributed. The Board papers include sufficient background explanatory information from the Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Such explanatory information may also be in the form of briefings to the directors or formal presentations made by senior management staff in attendance at Board meetings, or by external consultants engaged on specific projects.

The Board has separate and independent access to the Company Secretaries and to other senior management executives of the Company and of the Group at all times in carrying out their duties. Under the direction of the Executive Chairman, the Company Secretaries, ensure good information flows within the Board and its committees and between senior management and the independent directors, as well as facilitate orientation and assist with professional development as required.

The Company Secretaries attend all Board meetings and meetings of the Board committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with. The minutes of all Board committees' meetings are circulated to the Board.

Where the directors, whether individually or as a group, require independent professional advice in furtherance their duties, the Company Secretaries will appoint a professional advisor to render the advice and keep the Board informed of such advice, with cost to be borne by the Company.



REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee was established in July 2002 and comprises the three independent directors of the Company and is chaired by Mr Chang Weng Leong. It meets at least once annually. The Committee has access to expert advice in the field of executive compensation outside the Company where required.

The number of meetings held and attendance at the meetings during the last financial year were as follows:

Name of director	Appointment	Number of meetings held	Attendance
Chang Weng Leong (Chairman)	Independent	1	1
Robson Lee Teck Leng (Member)	Independent	1	1
Tan Tow Ee (Member)	Independent	1	1

The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management. It reviews the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progressive policies. The Remuneration Committee recommends to the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind and specific remuneration packages for each director. No director is involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent; responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The executive directors do not receive directors' fees. The remuneration for the executive directors and the key executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The service agreements entered into with three executive directors, namely Mr Kenny Yap Kim Lee, Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, were renewed on 1 January 2007 for a period of three years. The service agreements provide for termination by either the executive director or the Company upon giving written notice of not less than six months.

The annual reviews of the compensation of directors are carried out by the Remuneration Committee to ensure that the remuneration of the executive directors and senior management is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key executives) is reviewed periodically by the Remuneration Committee and the Board.

The Remuneration Committee also administers the Qian Hu Post-IPO Employees' Share Option Scheme (the "ESOS") which was implemented on 8 November 2000 as a share incentive scheme. None of the directors and the controlling shareholders of the Company are entitled to participate in the ESOS. Details of the ESOS are set out on pages 79 and 80 of this Annual Report.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The breakdown of remuneration of the Directors of the Company for the year ended 31 December 2006 is set out below:

Name of director	*Salary $'000	* Bonus $'000	Directors' fees $'000	Total $'000
Kenny Yap Kim Lee, CEO	187	-	-	187
Alvin Yap Ah Seng, Executive	163	-	-	163
Andy Yap Ah Siong, Executive	163	-	-	163
Lai Chin Yee, Executive	151	33	-	184
Robson Lee Teck Leng, Independent	-	-	12	12
Chang Weng Leong, Independent	-	-	12	12
Tan Tow Ee, Independent	-	-	12	12
	664	33	36	733

* The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contributions. None of the directors of the Company are entitled to participate in the ESOS.

Details of remuneration paid to the top 10 executives of the Group (who are not directors) are set out below:

Name of executive	Total Remuneration * $'000
Yap Ping Heng	109
Yap Hock Huat	148
Yap Kim Choon	184
Yap Kim Chuan	97
Goh Siak Ngan	147
Jimmy Tan Boon Kim	150
Low Eng Hua	138
Bob Goh Ngian Boon	89
Lee Kim Hwat	122
Raymond Yip Chee Weng	102

* Remuneration amounts are inclusive of salary, bonus, allowances and Central Provident Fund contributions. There was no share options granted to employees during the financial year.

Mr Yap Ping Heng, Mr Yap Hock Huat, Mr Yap Kim Choon and Mr Yap Kim Chuan are brothers of Mr Kenny Yap Kim Lee, CEO. They are also cousins of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the executive directors.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects. In presenting the annual financial statements and quarterly announcements to shareholders promptly, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects.

The Management currently provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. On a monthly basis, Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee, chaired by Mr Robson Lee Teck Leng, was established in October 2000. All three members are independent directors of the Company, who bring with them invaluable managerial and professional expertise in the financial, legal and business management spheres. The Audit Committee meets regularly with the Group's external and internal auditors and its executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group.

The Audit Committee also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses accounting implications of major transactions including significant financial reporting issues. In addition, the Audit Committee advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its reports.

Specifically, the Audit Committee:

- reviews the audit plans and scope of audit examination of the external and internal auditors, including appraising the quality of their work and the assistance provided to them by the Management;
- recommends to the Board the appointment, re-appointment and removal of external auditors and their fees for shareholders' approval, after evaluating their cost effectiveness, independence and objectivity and the nature and extent of non-audit services provided by them;
- reviews the effectiveness of the internal audit function;
- evaluates the adequacy of the internal control systems of the Group by reviewing written reports from the internal and external auditors, and Management's responses and actions to correct any deficiencies;
- evaluates the adherence to the Group's administrative, operating and internal accounting controls;
- reviews the annual and quarterly financial statements and announcements to shareholders before submission to the Board for adoption;
- reviews interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders; and
- considers other matters as requested by the Board.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, and has full access to, and the co-operation of, the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive officer to attend its meetings. The Audit Committee meets with the internal auditors and the external auditors separately, at least once a year, without the presence of the Management, to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

The Audit Committee has reviewed the non-audit related work carried out by the external auditors during the current financial year which comprised tax services and is satisfied that their independence and objectivity has not been impaired by the provision of those services.

The Company recognises that external auditors are a critical component of the Group's overall corporate governance framework as they provide the Board and shareholders with an independent verification of the Group's financial statements as well as highlighting areas for strengthening the Group's systems of internal control and accounting procedures during the course of the audit. The Company believes that a periodic rotation of external auditors will serve to further enhance the independence and effectiveness of the external auditors and, in the process, further strengthen the corporate governance of the Group. In implementing the rotation of external auditors, the Audit Committee has recommended to the Board that KPMG be nominated for appointment as the external auditors for the financial year ending 31 December 2007, subject to the approval of shareholders at the AGM on 19 March 2007.

The number of meetings held and attendance at the meetings during the last financial year were as follows:

Name of director	Appointment	Number of meetings held	Attendance
Robson Lee Teck Leng (Chairman)	Independent	4	4
Chang Weng Leong (Member)	Independent	4	3
Tan Tow Ee (Member)	Independent	4	4

The Company has put in place a whistle-blowing framework, endorsed by the Audit Committee, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports are to be sent to Mr Chang Weng Leong, one of the independent directors (Chairman of the Remuneration Committee). Details of the whistle-blowing policies and arrangements have been made available to all employees.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle. Having identified the risks to the achievement of their strategic objectives, each business is required to document the mitigating actions in place and proposed in respect of each significant risk. The approach to risk management and internal control are set out in the "Operating and Financial Review" section on pages 52 and 53 of this Annual Report.

During the financial year, the Company's external and internal auditors conducted annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Any material non-compliance and recommendation for improvement were reported to the Audit Committee. The Audit Committee, on behalf of the Board, also reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting the operations. Based on the reports submitted by the external and internal auditors and the various controls put in place by the Management, the Audit Committee is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The systems that are in place are intended to provide reasonable but not absolute assurance against material misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation and best practices, and the containment of business risks. The effectiveness of the internal financial control systems and procedures are monitored by the Management and the internal audit function which is out-sourced to qualified professionals. The internal auditors report primarily to the Chairman of the Audit Committee.

The internal auditors plan its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the Audit Committee for approval prior to the commencement of the internal audit. The Audit Committee reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Greater Shareholder Participation

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company has adopted quarterly results reporting since 2001. In line with the continuous disclosure obligations of the Company pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Board's policy is that all shareholders should be informed in a comprehensive manner all material developments that impact the Group on a timely basis. Unpublished price sensitive information are not selectively disclosed.

The Company communicates pertinent information to its shareholders on a regular and timely basis through:

- the Company's annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Companies Act and the Singapore Financial Reporting Standards;
- quarterly financial statements containing a summary of the financial information and affairs of the Group for the period. These are issued via SGXnet onto the SGX website as well as in press releases;
- notices of and explanatory memoranda for AGMs and extraordinary general meetings;
- media and analyst briefings for the Group's half-year and full-year financial results (chaired by the CEO) as well as other briefings, as appropriate;
- disclosures to the SGX-ST and press releases on major developments of the Group;
- the Group's website at **www.qianhu.com** from which shareholders can access information on the Group. The website provides, inter alia, all publicly disclosed financial information, corporate announcements, press releases, annual reports, and profiles of the Group.

In addition, shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation and for them to be kept up to date as to the Group's strategies and goals. The notice of the AGM is despatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 working days before the meeting. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues and ask the directors or Management questions regarding the Company and its operations. In the AGMs held during the past four years, the Board has developed several channels, such as the Group's website, an automated hotline, email or fax, for the shareholders, who are not able to attend the AGM, to contribute their feedback and inputs. Questions received are answered during the AGM and detailed AGM minutes are posted onto both the SGX and the Company's website after the meeting.

The Board supports the Code's principle to encourage shareholder participation. The Articles of Association allow a shareholder of the Company to appoint one or two proxies to attend the AGM and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

The Board takes note that there should be separate resolution at general meetings on each substantially separate issue and supports the Code's principle as regards "bundling" of resolutions. The Board will provide reasons and material implications where resolutions are interlinked.

The Chairmen of the Executive, Audit, Remuneration and Nominating Committees are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees. The Company's external auditors are also invited to attend the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

DEALING IN SECURITIES

The Group has adopted an internal code which prohibits the directors and executives of the Group from dealing in the Company's shares during the periods commencing one month prior to the announcement of the Group's quarterly, half-yearly and full year results and ending on the date of the announcement of the results, or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

INTERESTED PERSONS TRANSACTIONS

Disclosure of interested persons transactions is set out on page 126 of this Annual Report. When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:

- The Board meets quarterly to review if the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9.
- The Audit Committee also meets once every three months to review if the Company will be entering into an interested person transaction, and if so, the Audit Committee ensures that the relevant rules under Chapter 9 are complied with.

FINANCIAL STATEMENTS

Directors' Report

The directors are pleased to present their report to the members together with the audited financial statements of Qian Hu Corporation Limited (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2006.

Directors

The directors of the Company in office at the date of this report are as follows:

Kenny Yap Kim Lee
Alvin Yap Ah Seng
Andy Yap Ah Siong
Lai Chin Yee
Robson Lee Teck Leng
Chang Weng Leong
Tan Tow Ee

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, particulars of interest of the directors who held office at the end of the financial year in the shares or debentures of the Company and related corporations are as follows:

	Direct interest			Deemed interest		
	1 January 2006	31 December 2006	12 January 2007	1 January 2006	31 December 2006	12 January 2007
The Company						
Ordinary shares						
Kenny Yap Kim Lee	5,637,126	5,637,126	5,637,126	–	–	–
Alvin Yap Ah Seng	6,229,872	6,229,872	6,229,872	39,600	39,600	39,600
Andy Yap Ah Siong	6,229,872	6,229,872	6,229,872	178,200	178,200	178,200
Lai Chin Yee	80,400	80,400	80,400	–	–	–
Robson Lee Teck Leng	6,600	6,600	6,600	–	–	–
Chang Weng Leong	39,600	39,600	39,600	–	–	–
Tan Tow Ee	10,000	10,000	10,000	120,000	120,000	120,000

The Singapore Exchange Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interests of each director of the Company in the share capital of the Company. As the Directors' Report of the Company is dated 15 January 2007, the Company is unable to comply with the 21 days' requirement. However, for the purpose of best practice, the Company has disclosed the direct and deemed interests of each director of the Company at the last business trading day before the date of the Directors' Report.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share options

Qian Hu Post-IPO Employees' Share Option Scheme (the "Post-IPO Scheme")

The Post-IPO Scheme was approved and adopted at the Company's Extraordinary General Meeting held on 9 October 2000 to enable eligible employees of the Group, other than directors and controlling shareholders of the Company including their associates, to participate in the equity of the Company.

The Post-IPO Scheme is administered by the Post-IPO Option Committee, consisting of non-executive directors of the Company as follows:

(i) Chang Weng Leong
(ii) Robson Lee Teck Leng
(iii) Tan Tow Ee

At an Extraordinary General Meeting held on 19 February 2002, the following modifications to the Post-IPO Scheme were approved by the shareholders of the Company:

(a) The Post-IPO Scheme will be extended to include the participation of associates of controlling shareholders. Such associates must be confirmed full-time employees.

(b) The exercise price of the Post-IPO options will be set at a discount of 20% to the prevailing market price of the shares. The associates of controlling shareholders will be entitled to the same rate of discount to the market price of the shares as other employees who are selected by the Committee to receive discounted options.

Size of Plan

The total number of new shares over which options may be granted pursuant to the Post-IPO Scheme shall not exceed 10% of the issued share capital of the Company on the day immediately preceding the offer date of the options ("Offer Date").

Grant of Option

Options may be granted from time to time during the period when the Post-IPO Scheme is in force, except that options shall only be granted on or after the third market day on which an announcement on any matter involving unpublishing price sensitive information is released.

Acceptance of Option

The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of $1.

Share options (cont'd)

Exercise period

The exercise period of an option granted at a discount of 20% to the prevailing market price of the shares commences after two years from the Offer Date.

The options granted to associates of the Company's controlling shareholders under the Post-IPO Scheme are as follows:

Name of participant	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year	Aggregate options exercised/ cancelled since commencement of scheme to end of financial year	Aggregate options outstanding as at end of financial year
Yap Ai Tin	–	40,000	–	40,000
Yap Saw Chin	–	40,000	–	40,000
Yap Ai Choo	–	40,000	–	40,000
Tan Ah Moi	–	20,000	–	20,000
Ng Ah Pun	–	10,000	–	10,000
Lim Lee Seng	–	10,000	–	10,000
	–	160,000	–	160,000

In respect of options granted to employees of related corporations, no options were granted during the financial year and a total of 425,000 options were granted from the commencement of the Post-IPO Scheme to the end of the financial year, of which 87,000 options were cancelled due to resignation of employees.

Options Granted

No participant has received 5% or more of the total number of options available under the Post-IPO Scheme. There were no options granted under the Post-IPO Scheme during the financial year.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

Issue of Shares Under Options

During the financial year, no shares were issued pursuant to the exercise of the Post-IPO options.

Unissued Shares Under Options

At the end of the financial year, there were 1,122,000 unissued ordinary shares of the Company under options granted, exercisable at $0.59 per share from 1 August 2004 to 31 July 2012, unless any of the share options is cancelled or has lapsed. The movements of share options outstanding are disclosed in Note 31 to the financial statements.

Except for the above, no other options to take up unissued shares of the Company or its subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries. No other options to take up unissued shares of the Company or its subsidiaries were outstanding as at the end of the financial year.

Audit committee

The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Auditors

The auditors, Ernst & Young, retiring at the forthcoming Annual General Meeting of the Company, will not be seeking re-appointment.

The Audit Committee will be nominating KPMG as auditors of the Company at the forthcoming Annual General Meeting.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

Singapore
15 January 2007

Statement by Directors

We, Kenny Yap Kim Lee and Alvin Yap Ah Seng, being two of the directors of Qian Hu Corporation Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated statement of cash flows together with notes thereto are drawn up 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 and the results of the business, changes in equity of the Group and of the Company and cash flows of the Group for the financial year then ended, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Kenny Yap Kim Lee
Director

Alvin Yap Ah Seng
Director

Singapore
15 January 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 91 to 134, 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 judgement, 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
Certified Public Accountants

Singapore
15 January 2007

Balance Sheets as at 31 December 2006 (In Singapore dollars)

	Note	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Non-current assets					
Property, plant and equipment	3	11,490,339	12,665,599	2,809,722	3,199,783
Brooder stocks	4	15,279,911	9,961,895	1,255,170	1,284,360
Investments in subsidiaries	5	–	–	11,152,586	9,959,406
Investment in associate	6	–	–	–	28,722
Quoted equity investment		3,597	3,647	–	–
Intangible assets	7	1,913,459	1,896,283	174,389	157,213
Current assets					
Inventories	8	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	9	15,913,049	15,125,859	7,962,236	7,306,059
Other receivables, deposits and prepayments	10	1,751,825	1,799,382	276,147	334,633
Due from					
- subsidiaries (trade)	11	–	–	16,002,851	16,213,014
- subsidiaries (non-trade)	12	–	–	2,703,720	2,235,930
- associate (trade)	13	–	264,614	–	264,614
Fixed deposits	14	23,706	23,046	23,706	23,046
Cash and bank balances	14	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	15	6,007,592	4,465,515	3,267,276	2,304,616
Bills payable to banks	16	5,156,871	2,710,354	1,188,399	1,240,704
Other payables and accruals	17	3,746,860	3,510,623	2,913,118	2,501,206
Due to					
- subsidiaries (trade)	11	–	–	81,885	340,605
- subsidiaries (non-trade)	12	–	–	690,000	410,000
- minority shareholders of a subsidiary (non-trade)	12	1,146,569	1,252,430	–	–
Finance lease obligations	18	181,723	260,852	79,676	119,496
Bank term loans	19	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	14	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	18	(108,724)	(214,008)	(48,150)	(100,380)
Bank term loans	19	(681,420)	(906,307)	–	–
Deferred taxation	27	(2,105,181)	(1,756,840)	(235,000)	(235,000)
Net assets		48,873,241	45,694,525	37,039,539	35,772,168
Equity attributable to equity holders of the Company					
Share capital	20	18,997,444	12,887,293	18,997,444	12,887,293
Reserves	21	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

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Profit and Loss Accounts for the year ended 31 December 2006 (In Singapore dollars)

	Note	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Revenue	22	76,110,622	66,266,643	41,043,369	37,782,955
Cost of sales		(49,137,519)	(42,570,095)	(29,283,828)	(26,542,480)
Gross profit		26,973,103	23,696,548	11,759,541	11,240,475
Other operating income		167,643	105,424	365,668	198,323
Selling and distribution expenses		(2,480,048)	(2,101,633)	(944,252)	(1,145,360)
General and administrative expenses		(18,659,623)	(17,101,728)	(8,674,936)	(7,879,439)
Financial income	23	15,908	6,084	5,713	–
Financial expenses	23	(705,525)	(516,357)	(428,871)	(366,366)
Profit before taxation	24	5,311,458	4,088,338	2,082,863	2,047,633
Taxation	27	(1,424,262)	(1,160,633)	(300,000)	(360,000)
Profit for the year		3,887,196	2,927,705	1,782,863	1,687,633
Attributable to:					
Equity holders of the Company		2,617,170	2,030,289	1,782,863	1,687,633
Minority interests		1,270,026	897,416	–	–
		3,887,196	2,927,705	1,782,863	1,687,633
Earnings per share	29				
Basic (cents)		2.03	1.58		
Diluted (cents)		2.03	1.58		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2006 (In Singapore dollars)

	Attributable to equity holders of the Company						
	Share capital $	Share premium $	Accumulated profits $	Foreign currency translation reserve $	Total $	Minority interests $	Total equity $
Group							
Balance as at 1 January 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 as at 31 December 2005 and 1 January 2006	12,887,293	6,110,151	21,975,143	(447,802)	40,524,785	5,169,740	45,694,525
Currency translation differences	–	–	–	(139,672)	(139,672)	(53,316)	(192,988)
Net loss recognised directly in equity	–	–	–	(139,672)	(139,672)	(53,316)	(192,988)
Profit for the year	–	–	2,617,170	–	2,617,170	1,270,026	3,887,196
Total recognised income and expenses for the year	–	–	2,617,170	(139,672)	2,477,498	1,216,710	3,694,208
Dividends (Note 28)	–	–	(515,492)	–	(515,492)	–	(515,492)
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	6,110,151	(6,110,151)	–	–	–	–	–
Balance as at 31 December 2006	18,997,444	–	24,076,821	(587,474)	42,486,791	6,386,450	48,873,241

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Share capital $	Share premium $	Accumulated profits $	Total $
Company				
Balance as at 1 January 2005	12,821,124	5,541,092	15,087,091	33,449,307
Profit for the year	–	–	1,687,633	1,687,633
Total recognised income and expenses for the year	–	–	1,687,633	1,687,633
Issue of new shares	66,169	569,059	–	635,228
Balance as at 31 December 2005 and 1 January 2006	12,887,293	6,110,151	16,774,724	35,772,168
Profit for the year	–	–	1,782,863	1,782,863
Total recognised income and expenses for the year	–	–	1,782,863	1,782,863
Dividends (Note 28)	–	–	(515,492)	(515,492)
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	6,110,151	(6,110,151)	–	–
Balance as at 31 December 2006	18,997,444	–	18,042,095	37,039,539

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2006 (In Singapore dollars)

	2006 $	2005 $
Cash flows from operating activities		
Profit before taxation	5,311,458	4,088,338
Adjustments for:		
Bad trade receivables written off	81,304	24,195
Depreciation of		
- property, plant and equipment	1,998,787	2,145,890
- brooder stocks	263,180	165,830
Property, plant and equipment written off	–	1,059
(Gain) loss on disposal of		
- property, plant and equipment	(2,772)	11,935
- a subsidiary	–	30,088
Amortisation of		
- trademarks/customer acquisition costs	–	2,870
- product listing fees	43,582	35,202
Allowance for		
- doubtful trade receivables	294,880	259,885
- due from associates (trade)	70,000	364,081
Interest expenses	705,525	516,357
Interest income	(15,908)	(6,084)
Net effect of exchange differences	13,755	8,115
Operating profit before working capital changes	8,763,791	7,647,761
(Increase) decrease in:		
Inventories	(1,410,609)	(220,207)
Trade receivables	(1,053,414)	(2,172,439)
Other receivables, deposits and prepayments	61,781	48,643
Due from associate (trade)	7,538	89,268
Increase in:		
Trade payables	1,546,906	326,663
Bills payable to banks	2,466,467	1,411,766
Other payables and accruals	256,403	619,136
Cash generated from operations	10,638,863	7,750,591
Payment of income tax	(1,263,297)	(549,901)
Interest paid	(723,022)	(501,056)
Net cash generated from operating activities	8,652,544	6,699,634

	2006 $	2005 $
Cash flows from investing activities		
Purchase of		
- property, plant and equipment (Note 3)	(947,687)	(1,645,607)
- brooder stocks (Note 4)	(5,698,991)	(3,071,688)
Proceeds from disposal of property, plant and equipment	108,178	254,099
Payment for		
- trademarks/customer acquisition costs	(27,468)	(34,460)
- product listing fees	(33,290)	(54,521)
Disposal of a subsidiary, net of cash and cash equivalents (Note A)	–	509,265
Net cash used in investing activities	(6,599,258)	(4,042,912)
Cash flows from financing activities		
Drawdown of		
- bank term loans	300,000	405,000
- loan from minority shareholders of a subsidiary	–	177,840
Repayment of		
- finance lease obligations	(298,759)	(382,261)
- bank term loans	(334,498)	(1,651,427)
- loans from minority shareholders of a subsidiary	(88,859)	(1,029,174)
Payment of dividends to shareholders	(515,492)	–
Interest received	15,908	6,084
Net cash used in financing activities	(921,700)	(2,473,938)
Net increase in cash and cash equivalents	1,131,586	182,784
Cash and cash equivalents at beginning of year	4,335,742	4,152,958
Cash and cash equivalents at end of year (Note 14)	5,467,328	4,335,742

Consolidated Statement of Cash Flows

for the year ended 31 December 2006 (In Singapore dollars)

Notes to the Consolidated Statement of Cash Flows

Note A: Summary of effects on disposal of a subsidiary

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

	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

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Qian Hu Corporation Limited (the "Company") is a limited company domiciled and incorporated in the Republic of Singapore and publicly traded on the Mainboard of the Singapore Exchange. The registered office and principal place of business of the Company is located at No. 71 Jalan Lekar, Singapore 698950.

The principal activities of the Company are those of import, export, farming, breeding and distribution of ornamental fishes and aquarium and pet accessories. The principal activities of the subsidiaries are as set out in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except for the valuation of breeder stocks and quoted equity investment that have been measured at their fair values.

The financial statements are presented in Singapore dollars, which is the Company's functional currency.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the change in accounting policies discussed below.

2.2 Change in accounting policies

(a) Adoption of revised FRS

In 2006, the Group and the Company adopted the following revised FRS which is relevant to its operations.

<u>Amendments to FRS 39 – Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts</u>

The Amendments to FRS 39, 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 was 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 accumulated profits of the Company for the year ended 31 December 2006. This change has no impact to the Group's financial statements.

for the year ended 31 December 2006 (In Singapore dollars)

2.2 *Change in accounting policies* (cont'd)

(b) FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but are not yet effective.

FRS 1	–	Amendment to FRS 1 (revised), Presentation of Financial Statements, effective for financial year beginning 1 January 2007
FRS 40	–	Investment Property, effective for financial year beginning 1 January 2007
FRS 107	–	Financial Instruments: Disclosures, effective for financial year beginning 1 January 2007
INT FRS 107	–	Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies, effective for financial year beginning 1 March 2006
INT FRS 108	–	Scope of FRS 102, Share-based Payment, effective for financial year beginning 1 May 2006
INT FRS 109	–	Reassessment of Embedded Derivatives, effective for financial year beginning 1 June 2006
INT FRS 110	–	Interim Financial Reporting and Impairment, effective for financial year beginning 1 November 2006

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and Amendment to FRS 1 as indicated below.

FRS 107 – Financial Instruments: Disclosures and Amendment to FRS 1 (revised) – Presentation of Financial Statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The Amendment to FRS 1 (revised) requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the Amendment to FRS 1 (revised) from annual period beginning 1 January 2007.

2.3 *Significant accounting estimates and judgements*

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

2.3 Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Impairment of goodwill

  The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 December 2006 was $1,739,070 (2005: $1,739,070). More details are provided in Note 7.

- Depreciation of property, plant and equipment and brooder stocks

  These assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. The carrying amounts of the Group's property, plant and equipment and brooder stocks at 31 December 2006 were $11,490,339 (2005: $12,665,599) and $15,279,911 (2005: $9,961,895) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

- Income taxes

  The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax provision and deferred tax liabilites at 31 December 2006 were $643,738 (2005: $850,689) and $2,105,181 (2005: $1,756,840) respectively.

(b) Critical judgements made in applying accounting policies

Judgement made by management in the application of FRS that has a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the next financial year is discussed below:

- Impairment of investments and financial assets

  The Group and the Company follow the guidance of FRS 36 – Impairment of Assets and FRS 39 in determining when an investment or financial asset is other-than-temporarily impaired and this requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

2.4 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

(b) Foreign currency translation

The results and financial position of foreign subsidiaries are translated into Singapore dollars using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate ruling at that balance sheet date; and

- Income and expenses for each profit and loss account are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign subsidiary, the cumulative amount of exchange differences deferred in equity relating to that foreign subsidiary is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as at the balance sheet date. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated financial statements with effect from the respective dates of acquisition or disposal, as applicable. Significant intercompany balances, transactions and unrealised profit or loss on intercompany transactions have been eliminated on consolidation.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

2.5 *Basis of consolidation* (cont'd)

Any excess or deficiency of the purchase consideration over the fair values of the Group's share of the identifiable net assets acquired represents goodwill or negative goodwill, which is accounted for in accordance with Note 2.10. Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

Investments in associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

2.6 *Subsidiaries and associates*

(a) Subsidiaries

Subsidiaries are those companies controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

(b) Associates

Associates are companies in which the Group has significant influence, but not control, over the financial and operating policies. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses.

(c) Quoted equity investments

Investment in quoted shares are classified and accounted for as available-for-sale under FRS 39. The accounting policy for this category of financial asset is stated in Note 2.12.

2.7 *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

for the year ended 31 December 2006 (In Singapore dollars)

2.8 *Biological assets*

The Group has three types of biological assets; namely ornamental fish, brooder stocks and breeder stocks. Biological assets are to be measured on initial recognition and at each balance sheet date, at their fair values less estimated point-of-sale costs, in accordance with FRS 41 – Agriculture.

(a) Ornamental fish

The Group holds ornamental fish for trading purposes. The holding period of ornamental fish held for growing is generally short, ranging from 2 to 4 weeks. In the opinion of the directors, the increment in fair value of the ornamental fish during the holding period is nominal, and as such, the cost of ornamental fish that undergo biological transformation approximates fair value. Accordingly, ornamental fish held for trading have been stated at cost.

(b) Brooder stocks

Brooder stocks are parent stocks of Dragon Fish, held for use in the breeding of Dragon Fish. As the fair value of brooder stocks cannot be measured reliably, the brooder stocks have been stated at cost less accumulated depreciation and impairment losses. The brooder stocks are depreciated on a straight-line basis over their estimated useful lives of 50 years.

(c) Breeder stocks

Breeder stocks are the next generation of the parent stocks of Dragon Fish, held for trading purposes. The holding period of these breeder stocks are usually 2 to 3 months before they are put up for sales. As at balance sheet date, these stocks are measured based on the fair value of those fish of similar age, breed and genetic merit that can be purchased from the suppliers. Gain or loss from these valuations is included in the profit and loss account.

2.9 *Depreciation*

Depreciation is calculated on a straight-line basis so as to write-off the cost of property, plant and equipment over their estimated useful lives (except for property, plant and equipment of certain subsidiaries which take into account an estimated residual value of 10% of cost). The estimated useful lives of property, plant and equipment are as follows:

Freehold buildings	20 years
Leasehold land	over the remaining lease terms
Leasehold buildings	over the remaining lease terms
Leasehold improvements	5 years
Motor vehicles	5 - 10 years
Computers	3 years
Furniture, fittings and office equipment	5 - 10 years
Equipment and tools	8 - 10 years
Moulds	5 years
Machinery	5 - 8 years
Air conditioner	5 - 10 years
Ponds and concrete tanks	3 - 10 years
Electrical and installation	10 years

No depreciation is provided on freehold land.

2.9 *Depreciation* (cont'd)

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.10 *Intangible assets*

(a) *Trademarks/customer acquisition costs*

Trademarks/customer acquisition costs are estimated to have indefinite lives because based on the current market share of the trademarks, management believes there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flows for the Group. Such intangible assets are tested for impairment annually as described in Note 2.11.

(b) *Product listing fees*

Product listing fees with finite lives are stated at cost less accumulated amortisation and impairment losses. These costs are amortised on a straight-line basis over 3 years.

The amortisation period and method are reviewed at least at each financial year end.

(c) *Goodwill*

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on the acquisition of subsidiaries is presented as intangible assets. Goodwill on the acquisition of associates is presented together with investments in associates.

Goodwill was stated at cost from the date of initial recognition and amortised over its estimated useful life of 20 years. On 1 January 2005, the Group discontinued amortisation of this goodwill. The remaining goodwill balance is subject to testing for impairment, as described in Note 2.11.

Negative goodwill was derecognised by crediting accumulated profits on 1 January 2005.

2.11 *Impairment of non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the profit and loss account unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

2.11 Impairment of non-financial assets (cont'd)

(a) Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

(b) Reversals of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method less impairment losses. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- Cash and short term deposits
- Trade and other receivables, including amounts due from subsidiaries and associate.

(b) Available-for-sale financial assets

The Group classifies its quoted equity investment as available-for-sale financial assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in the above category. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investments are derecognised or until the investments are determined to be impaired at which time the cumulative gains or losses previously reported in equity are included in the profit and loss account.

2.12 Financial assets (cont'd)

(b) Available-for-sale financial assets (cont'd)

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis.

For investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost less impairment losses.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, bank deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents are shown net of outstanding bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

2.14 Trade and other receivables

Allowance for doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The accounting policy for this category of financial assets is stated in Note 2.12.

2.15 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.15 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals of impairment loss in respect of equity instruments are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.16 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

2.18 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other payables, amounts due to subsidiaries and minority shareholders of a subsidiary, and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.20 Leases

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

2.21 Revenue recognition

(a) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(b) Interest income

Interest income from bank deposits is recognised on a time-apportioned basis on the principal outstanding and at the rate applicable.

2.22 Employee benefits

(a) Equity compensation benefit

The Company has an employees' share option scheme where employees (including associates of the Company's controlling shareholders) are granted non-transferable options to purchase shares of the Company. No compensation cost or obligation is recognised upon granting or the exercise of the options as the options are granted before 22 November 2002, hence FRS 102 – Share-based Payment is not applicable. When the options are exercised, equity is increased by the amount of the proceeds received.

(b) Defined contribution plans

As required by law, the Group makes contributions to the state pension scheme, the Central Provident Fund ("CPF") for Singapore companies and the Employees Provident Fund ("EPF") for Malaysia companies. CPF and EPF contributions are recognised as compensation expenses in the same period as the employment that gives rise to the contributions.

(c) Pension scheme

The subsidiaries in the People's Republic of China operate defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2.22 *Employee benefits* (cont'd)

(d) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the balance sheet date.

2.23 *Finance costs*

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognised in the profit and loss account using the effective interest method.

2.24 *Income taxes*

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the balance sheet date.

(b) *Deferred tax*

Deferred income tax is provided in full, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill not deductible for tax purposes and for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. For deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities are not provided on undistributed earnings of foreign subsidiaries to the extent the earnings are intended to remain indefinitely invested in those entities.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.24 *Income taxes* (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or service is not recoverable from the tax authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheet.

for the year ended 31 December 2006 (In Singapore dollars)

3. Property, plant and equipment

	Freehold land & buildings $	Leasehold land $	Leasehold buildings $	Leasehold improve-ments $	Motor vehicles $	Computers $
Group						
At cost						
As at 1 January 2005	5,931,047	77,070	4,110,500	332,008	2,520,662	758,086
Balance attributable to a subsidiary disposed during the year	(609,837)	–	–	(42,767)	(174,258)	(13,263)
Additions	236,937	88,560	80,756	11,219	156,881	141,416
Disposals/written off	–	–	–	–	(250,452)	(18,038)
Translation differences	122,437	(1,835)	–	(6,887)	15,298	3,623
As at 31 December 2005 and 1 January 2006	5,680,584	163,795	4,191,256	293,573	2,268,131	871,824
Additions	102,931	–	132,242	23,908	209,946	31,774
Disposals/written off/ transfer	(41,595)	–	–	8,650	(372,675)	31,829
Translation differences	(77,112)	5,593	–	10,024	(3,246)	(2,418)
As at 31 December 2006	5,664,808	169,388	4,323,498	336,155	2,102,156	933,009
Accumulated depreciation and impairment losses						
As at 1 January 2005	320,916	77,070	1,443,795	73,024	1,334,581	524,640
Charge for the year	165,832	24,600	299,002	42,818	403,525	112,497
Balance attributable to a subsidiary disposed during the year	(22,652)	–	–	(8,910)	(32,703)	(4,071)
Disposals/written off	–	–	–	–	(238,383)	(13,090)
Translation differences	7,018	(1,835)	–	(1,633)	6,040	1,379
As at 31 December 2005 and 1 January 2006	471,114	99,835	1,742,797	105,299	1,473,060	621,355
Charge for the year	168,096	30,528	314,617	61,031	330,069	116,772
Disposals/written off/ transfer	(41,595)	–	–	–	(303,903)	(166)
Translation differences	(6,395)	3,409	–	10,718	1,447	(1,217)
As at 31 December 2006	591,220	133,772	2,057,414	177,048	1,500,673	736,744
Net carrying amount						
As at 31 December 2006	5,073,588	35,616	2,266,084	159,107	601,483	196,265
As at 31 December 2005	5,209,470	63,960	2,448,459	188,274	795,071	250,469

Furniture, fittings and office equipment $	Equipment and tools $	Moulds $	Machinery $	Air conditioner $	Ponds and concrete tanks $	Electrical and installation $	Total $
889,590	1,151,561	1,018,605	2,993,290	138,373	175,640	1,114,027	21,210,459
(25,740)	(83,147)	–	(20,071)	(3,877)	–	(24,300)	(997,260)
246,193	339,739	61,543	151,889	49,234	–	176,961	1,741,328
(21,390)	(198,466)	–	(132,514)	–	–	(39,495)	(660,355)
4,198	22,209	30,558	10,561	624	5,269	15,071	221,126
1,092,851	1,231,896	1,110,706	3,003,155	184,354	180,909	1,242,264	21,515,298
90,738	220,386	1,600	170,813	5,872	–	72,964	1,063,174
10,950	(170,215)	(1,600)	(25,926)	(35,443)	–	10,899	(585,126)
405	(16,525)	(32,351)	(5,676)	(913)	(5,269)	(12,253)	(139,741)
1,194,944	1,265,542	1,078,355	3,142,366	153,870	175,640	1,313,874	21,853,605
305,166	212,636	269,192	1,875,115	76,591	175,640	461,137	7,149,503
127,916	127,506	209,019	430,792	20,206	–	182,177	2,145,890
(3,530)	(10,379)	–	(2,805)	(372)	–	(3,038)	(88,460)
(4,835)	(25,369)	–	(94,237)	–	–	(17,349)	(393,263)
1,101	3,606	8,076	2,714	198	5,269	4,096	36,029
425,818	308,000	486,287	2,211,579	96,623	180,909	627,023	8,849,699
138,453	138,685	194,726	307,185	21,664	–	176,961	1,998,787
(18,252)	(51,268)	(99)	(25,046)	(5,897)	–	(19,351)	(465,577)
1,863	(3,765)	(14,164)	(1,792)	(132)	(5,269)	(4,346)	(19,643)
547,882	391,652	666,750	2,491,926	112,258	175,640	780,287	10,363,266
647,062	873,890	411,605	650,440	41,612	–	533,587	11,490,339
667,033	923,896	624,419	791,576	87,731	–	615,241	12,665,599

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3. Property, plant and equipment (cont'd)

	Leasehold buildings $	Motor vehicles $	Computers $	Furniture, fittings and office equipment $	Machinery $	Air conditioner $	Electrical and installation $	Total $
Company								
At cost								
As at 1 January 2005	4,110,500	1,117,497	485,722	319,874	544,760	91,276	293,293	6,962,922
Additions	80,756	36,442	122,375	16,400	21,325	3,899	–	281,197
Disposals	–	(141,463)	–	–	–	–	–	(141,463)
As at 31 December 2005 and 1 January 2006	4,191,256	1,012,476	608,097	336,274	566,085	95,175	293,293	7,102,656
Additions	132,242	54,467	16,721	12,871	8,869	4,600	8,860	238,630
Disposals	–	(207,517)	–	–	–	–	–	(207,517)
As at 31 December 2006	4,323,498	859,426	624,818	349,145	574,954	99,775	302,153	7,133,769
Accumulated depreciation and impairment losses								
As at 1 January 2005	1,443,795	797,317	398,184	169,473	327,747	58,084	202,407	3,397,007
Charge for the year	299,002	160,507	66,177	35,262	54,922	11,382	20,077	647,329
Disposals	–	(141,463)	–	–	–	–	–	(141,463)
As at 31 December 2005 and 1 January 2006	1,742,797	816,361	464,361	204,735	382,669	69,466	222,484	3,902,873
Charge for the year	314,617	114,992	73,658	32,971	49,058	11,138	20,049	616,483
Disposals	–	(195,309)	–	–	–	–	–	(195,309)
As at 31 December 2006	2,057,414	736,044	538,019	237,706	431,727	80,604	242,533	4,324,047
Net carrying amount								
As at 31 December 2006	2,266,084	123,382	86,799	111,439	143,227	19,171	59,620	2,809,722
As at 31 December 2005	2,448,459	196,115	143,736	131,539	183,416	25,709	70,809	3,199,783

3. **Property, plant and equipment** (cont'd)

(i) As at 31 December, the net carrying amount of the Group's and the Company's machinery and motor vehicles acquired under finance lease arrangements are as follows:

	Group		Company	
	2006 **$**	**2005** **$**	**2006** **$**	**2005** **$**
Net carrying amount as at 31 December				
Machinery	–	47	–	–
Motor vehicles	427	693	162	231
	427	740	162	231

During the financial year, the Group acquired property, plant and equipment with an aggregate fair value of $1,063,174 (2005: $1,741,328) of which $115,487 (2005: $95,721) was acquired by means of finance lease agreements. Cash payments of $947,687 (2005: $1,645,607) were made to purchase property, plant and equipment.

(ii) The Group's freehold land with a carrying amount of $370,177 (2005: $2,416,891) are subject to a first charge to secure banking facilities for one of the subsidiaries.

(iii) Details of properties held by the Group and the Company as at 31 December are as follows:

Location	**Description and existing use**	**Tenure/ unexpired term**	**Land area (sqm)**	**Net carrying amount**	
				2006 **$**	**2005** **$**
Held by the Company - Leasehold buildings					
Nos. 69 & 71 Jalan Lekar, Singapore	Fish farming purposes	20 years from 11 November 1993	41,776	2,266,084	2,448,459
Held through subsidiaries - Leasehold land					
Nos. 30/26 Moo 8 Tumbol Klong Nung, Amphur Klong Laung Pathun Thani Province 12120, Thailand	Fish farming purposes	3 years from 1 August 2005	1,600	17,808	31,980
Nos. 30/23 Moo 8 Tumbol Klong Nung, Amphur Klong Laung Pathun Thani Province 12120, Thailand	Fish farming purposes	3 years from 1 August 2005	1,600	17,808	31,980

for the year ended 31 December 2006 (In Singapore dollars)

3. Property, plant and equipment (cont'd)

Location	Description and existing use	Tenure/ unexpired term	Land area (sqm)	Net carrying amount 2006 $	Net carrying amount 2005 $
Held through subsidiaries - Freehold land and buildings					
Lot No 722 GM No 714 Mukim of Minyak Beku, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	11,761		
Lot No 1140 MLO No 775 Mukim of Minyak Beku, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	24,281		
Lot No 1646, 1647, 4138, 4139, 4141, 4937 & 4938 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	153,729	5,073,588	5,209,470
Lot No 4137 GM No 3164 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	43,478		
Lot No 4153 GM No 2096 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming purposes	Freehold	13,759		
				7,375,288	7,721,889

4. Brooder stocks

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
At cost				
As at 1 January	10,523,332	7,316,075	1,459,500	1,459,500
Additions	5,698,991	3,071,688	–	–
Translation differences	(123,039)	135,569	–	–
As at 31 December	16,099,284	10,523,332	1,459,500	1,459,500
Accumulated depreciation and impairment losses				
As at 1 January	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	–	–
As at 31 December	819,373	561,437	204,330	175,140
Net carrying amount				
As at 31 December	15,279,911	9,961,895	1,255,170	1,284,360

The brooder stocks are parent stocks of Dragon Fish, held by the Group and the Company for 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 impairment losses.

5. Investments in subsidiaries

(a) These comprise:

	Company	
	2006	**2005**
	$	**$**
Unquoted equity investments, at cost		
As at 1 January	9,959,406	9,347,890
Additional investment	1,193,180	1,086,516
Disposal of interests in subsidiaries	–	(475,000)
As at 31 December	11,152,586	9,959,406

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5. Investments in subsidiaries (cont'd)

(b) Details of the subsidiaries as at 31 December are as follows:

Name	Principal activities	Country of incorporation and business	Effective equity interest held by the Group		Cost of investment by the Company	
			2006 %	2005 %	2006 $	2005 $
Held by the Company						
* Qian Hu Tat Leng Plastic Pte Ltd	Manufacture of plastic bags	Singapore	100	100	57,050	57,050
^ Qian Hu Aquarium and Pets (M) Sdn Bhd	Trading and distribution of ornamental fish and aquarium and pet accessories	Malaysia	100	100	150,451	150,451
# Kim Kang Aquaculture Sdn Bhd	Breeding, and trading of ornamental fish	Malaysia	65	65	7,699,891	7,699,891
^ Beijing Qian Hu Aquarium and Pets Co., Ltd	Import and export of cold-water ornamental fish and distribution of aquarium accessories	People's Republic of China	100	100	171,824	171,824
^ Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd	Manufacture of aquarium and pet accessories	People's Republic of China	100	100	1,686,039	492,859
^ Shanghai Qian Hu Aquarium and Pets Co., Ltd	Trading and distribution of ornamental fish and aquarium accessories	People's Republic of China	100	100	1,086,516	1,086,516
^ Qian Hu Marketing Co Ltd	Distribution of aquarium and pet accessories	Thailand	74 ♦	74 ♦	148,262	148,262
^ Thai Qian Hu Company Limited	Trading of ornamental fish	Thailand	60	60	121,554	121,554
^ NNTL (Thailand) Limited	Investment holding	Thailand	49 @	49 @	30,999	30,999
Held through subsidiaries						
^ Qian Hu The Pet Family (M) Sdn Bhd	Trading of ornamental fish and aquarium accessories	Malaysia	100	100	–	–
# Qian Hu The Pet Family (KK) Sdn Bhd	Trading of ornamental fish and aquarium accessories	Malaysia	65	65	–	–
					11,152,586	9,959,406

* Audited by Ernst & Young, Singapore.

Audited by KPMG, Malaysia.

^ Audited by other certified public accountants. These subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

♦ This represents the Group's effective interest in Qian Hu Marketing Co Ltd. The Company holds a 49% direct interest in Qian Hu Marketing Co Ltd and the remaining effective 25% is held through a subsidiary, NNTL (Thailand) Limited.

@ NNTL (Thailand) Limited is considered a subsidiary of the Company as the Company has voting control at general meetings and Board meetings of NNTL (Thailand) Limited.

6. Investment in associate

(a) This comprises:

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Unquoted equity investment, at cost	28,722	28,722	28,722	28,722
Disposal of interest	(28,722)	–	(28,722)	–
	–	28,722	–	28,722
Share of post-acquisition losses	–	(28,722)	–	–
	–	–	–	28,722

(b) Details of the associate as at 31 December is as follows:

Name of associate	:	Jin Jien Hsing Enterprise Co., Ltd
Principal activities	:	Distribution of pet food and accessories
Country of incorporation and place of business	:	Republic of China
Equity interest held by the Company	:	Nil (2005 : 50%)

7. Intangible assets

These comprise:

(i) Trademarks/customer acquisition costs which 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".

(ii) Product listing fees which relate to costs paid to third parties in relation to the entitlements to list and sell the Company's products in certain supermarkets.

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

for the year ended 31 December 2006 (In Singapore dollars)

7. Intangible assets (cont'd)

	Trademarks/ customer acquisition costs $	Product listing fees $	Goodwill on consolidation $	Total $
Group				
At cost				
As at 1 January 2005	638,906	108,342	1,870,865	2,618,113
Elimination of accumulated amortisation	–	–	(131,795)	(131,795)
Additions	34,460	54,521	–	88,981
Translation differences	404	–	–	404
As at 31 December 2005 and 1 January 2006	673,770	162,863	1,739,070	2,575,703
Additions	27,468	33,290	–	60,758
Translation differences	(242)	–	–	(242)
As at 31 December 2006	700,996	196,153	1,739,070	2,636,219
Accumulated amortisation and impairment losses				
As at 1 January 2005	593,086	47,923	131,795	772,804
Elimination of accumulated amortisation	–	–	(131,795)	(131,795)
Amortisation for the year	2,870	35,202	–	38,072
Translation differences	339	–	–	339
As at 31 December 2005 and 1 January 2006	596,295	83,125	–	679,420
Amortisation for the year	–	43,582	–	43,582
Translation differences	(242)	–	–	(242)
As at 31 December 2006	596,053	126,707	–	722,760
Net carrying amount				
As at 31 December 2006	104,943	69,446	1,739,070	1,913,459
As at 31 December 2005	77,475	79,738	1,739,070	1,896,283

7. Intangible assets (cont'd)

	Trademarks/ customer acquisition costs $	Product listing fees $	Total $
Company			
At cost			
As at 1 January 2005	621,464	108,342	729,806
Additions	34,460	54,521	88,981
As at 31 December 2005 and 1 January 2006	655,924	162,863	818,787
Additions	27,468	33,290	60,758
As at 31 December 2006	683,392	196,153	879,545
Accumulated amortisation and impairment losses			
As at 1 January 2005	578,449	47,923	626,372
Amortisation for the year	–	35,202	35,202
As at 31 December 2005 and 1 January 2006	578,449	83,125	661,574
Amortisation for the year	–	43,582	43,582
As at 31 December 2006	578,449	126,707	705,156
Net carrying amount			
As at 31 December 2006	104,943	69,446	174,389
As at 31 December 2005	77,475	79,738	157,213

Goodwill on consolidation was stated at cost from the date of initial recognition and amortised over its estimated useful life of 20 years. On 1 January 2005, with the adoption of FRS 103 – Business Combinations, the Group discontinued amortisation of goodwill on consolidation. The remaining goodwill balance is subject to annual impairment testing.

On adoption of the revised FRS 38 – Intangible Assets, trademarks/customer acquisition costs are determined to have indefinite lives. Accordingly, the carrying amount as at 1 January 2005 is no longer amortised, but is now subject to annual impairment testing. The remaining amortisation period for product listing fees ranges from 2 to 3 years.

Impairment testing of goodwill on consolidation and trademarks/customer acquisition costs

Goodwill on consolidation arose from the acquisition of Kim Kang Aquaculture Sdn Bhd in financial year 2003, whose principal business activities are those relating to the breeding and trading of ornamental fish.

Trademarks/customers acquisition costs are costs paid for the acquisition of two brands of pet food.

The recoverable amounts of the above balances are determined based on value in use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flow projections beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business activities.

for the year ended 31 December 2006 (In Singapore dollars)

7. Intangible assets (cont'd)

Key assumptions used for impairment testing

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks/customer acquisition costs according to the respective business segments.

	Fish	Pet food
Growth rate	11%	5%
Discount rate	11.9%	5.6%

Management determines the weighted average growth rates based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business activities.

8. Inventories

	Group		Company	
	2006 $	2005 $	2006 $	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

9. Trade receivables

	Group		Company	
	2006 $	2005 $	2006 $	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)
As at 31 December	15,913,049	15,125,859	7,962,236	7,306,059

Movements in allowance for doubtful trade receivables during the financial year are as follows:

As at 1 January	1,091,719	999,384	814,876	700,671
Allowance made during the year	294,880	259,885	279,003	150,242
Amount written off against allowance made	(132,614)	(170,919)	(132,614)	(36,037)
Allowance made transferred from assoicate	270,000	–	270,000	–
Translation differences	(1,483)	3,369	–	–
As at 31 December	1,522,502	1,091,719	1,231,265	814,876

9. Trade receivables (cont'd)

Included in trade receivables are the following balances denominated in the following currencies:-

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
US dollar	1,545,784	1,206,789	878,059	665,555
Euro	1,014,558	476,670	950,625	404,279
Malaysian Ringgit	2,073,883	1,763,167	–	–
Thai Baht	1,084,796	662,879	–	–
Chinese Yuan	2,108,059	3,267,518	–	–

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, engage in a wide spectrum of manufacturing and distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of trade receivables falls within the recorded allowance. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

10. Other receivables, deposits and prepayments

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
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	–	–
Other receivables	379,278	584,436	103,121	196,465
	1,751,825	1,799,382	276,147	334,633

11. Due from (to) subsidiaries (trade)

These amounts are unsecured, interest-free and are repayable on demand.

12. Due from (to) subsidiaries/minority shareholders of a subsidiary (non-trade)

These amounts are unsecured, interest-free and are repayable on demand.

for the year ended 31 December 2006 (In Singapore dollars)

13. Due from associate (trade)

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Due from associate	–	708,695	–	464,614
Less: Allowance for amount due from associate	–	(444,081)	–	(200,000)
	–	264,614	–	264,614

Movements in allowance for amount due from associate during the year are as follows:

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
As at 1 January	444,081	80,000	200,000	80,000
Allowance made during the year	70,000	364,081	70,000	120,000
Amount written off against allowance made	(244,081)	–	–	–
Allowance made transferred to trade receivables upon disposal of interest in associate	(270,000)	–	(270,000)	–
As at 31 December	–	444,081	–	200,000

14. Cash and cash equivalents

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
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
Bank overdraft	(173,570)	(437,586)	–	–
	5,467,328	4,335,742	3,700,878	2,875,171

Fixed deposits bear average effective interest rate of 1.80% (2005: 1.18%) per annum with maturity of one year from the end of year. They are pledged to a financial institution to secure performance guarantees issued by that financial institution.

Cash and bank balances earn interests at floating rates based on daily bank deposit rates ranging from 0.94% to 3.05% (2005: 0.21% to 0.25%) per annum.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
US dollar	775,500	157,789	769,598	155,786
Euro	69,048	149,223	69,048	149,223
Malaysian Ringgit	381,452	406,818	–	–
Thai Baht	629,191	579,404	–	–
Chinese Yuan	381,661	340,880	–	–

The average effective interest rate of bank overdraft of the Group is 8.25% (2005: 7.5%) per annum. The bank overdraft is repayable on demand.

15. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Included in trade payables are the following balances denominated in the following currencies:-

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
US dollar	1,136,627	626,531	788,118	441,364
Euro	415,502	299,616	415,502	299,616
Malaysian Ringgit	761,370	404,932	–	–
Japanese Yen	109,476	179,400	109,476	179,400
Thai Baht	77,937	179,098	–	–
Chinese Yuan	212,826	333,924	33,989	–
Australian dollar	135,362	132,410	135,362	132,410
Hong Kong dollar	133,388	204,927	133,388	204,927
New Taiwan dollar	62,461	48,234	62,461	48,234

16. Bills payable to banks

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Bills payable				
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 average effective interest rate of bills payable of the Group and of the Company are 4.87% and 5.25% (2005: 5.88% and 5.25%) per annum respectively. These bills mature within 1 to 3 months from the year end.

Included in bills payable to banks are the following balances denominated in the following currencies:-

US dollar	414,622	399,936	414,622	399,936
Euro	80,836	156,281	80,836	156,281
Malaysian Ringgit	3,968,472	1,469,650	–	–
Australian dollar	119,939	98,403	119,939	98,403
Japanese Yen	104,357	80,950	104,357	80,950

for the year ended 31 December 2006 (In Singapore dollars)

17. Other payables and accruals

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Accrued operating expenses	529,802	636,464	147,143	303,162
Other payables	2,018,338	1,990,021	1,759,660	1,461,545
Accrued staff cost	1,198,720	884,138	1,006,315	736,499
	3,746,860	3,510,623	2,913,118	2,501,206

Other payables are interest-free and have an average term of three months.

18. Finance lease obligations

As at 31 December, the Group and the Company has obligations under finance leases that are payable as follows:

	Minimum lease payments $	Interest $	Present value of payments $
Group			
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
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
Company			
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
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

Lease terms range from 1 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rates implicit in the Group's and the Company's finance lease obligations are 6.85% and 6.68% (2005: 7.28% and 6.71%) per annum respectively.

19. Bank term loans

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Due within 1 year:				
Singapore dollars short-term loans (unsecured)	6,300,000	6,200,000	6,300,000	6,200,000
Malaysian Ringgit 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:				
Malaysian Ringgit long-term loans				
- secured	128,507	906,307	–	–
- unsecured	552,913	–	–	–
	681,420	906,307	–	–
Total	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% (2005: Nil%) per annum and is repayable in 60 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.

20. Share capital

Company

	2006 No. of shares	2005 No. of shares	2006 $	2005 $
Issued and fully paid:				
As at 1 January				
Ordinary shares	128,872,934	128,211,238	12,887,293	12,821,124
Issued during the year	–	661,696	–	66,169
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	–	–	6,110,151	–
As at 31 December	128,872,934	128,872,934	18,997,444	12,887,293

for the year ended 31 December 2006 (In Singapore dollars)

20. Share capital (cont'd)

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. All shares rank equally with regard to the Company's residual assets.

In accordance with the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concepts of par value and authorised share capital were abolished and the shares of the Company ceased to have a par value. The amount standing in the share premium account as at 30 January 2006 had become part of the Company's share capital.

In the previous financial year, the Company issued 661,696 ordinary shares at a premium of $0.86 per share as remaining purchase consideration for the acquisition of a subsidiary made in 2003.

The Company has an employee share option plan (as set out in Note 31) under which options to subscribe for the Company's ordinary shares have been granted to employees.

21. Reserves

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Share premium	–	6,110,151	–	6,110,151
Accumulated profits	24,076,821	21,975,143	18,042,095	16,774,724
Foreign currency translation reserve	(587,474)	(447,802)	–	–
	23,489,347	27,637,492	18,042,095	22,884,875

22. Revenue

	Group		Company	
	2006 $	2005 $	2006 $	2005 $
Sales of goods				
- Fish	39,597,782	33,460,946	24,870,269	22,652,416
- Accessories	26,581,281	25,635,293	16,173,100	15,130,539
- Plastics	9,931,559	7,170,404	–	–
	76,110,622	66,266,643	41,043,369	37,782,955

23. Financial income and expenses

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Interest income				
- bank deposits	15,908	6,084	5,713	–
Interest expense				
- bank term loans	(611,035)	(391,585)	(365,416)	(295,435)
- bills payable	(48,162)	(82,843)	(39,095)	(40,889)
- finance lease obligations	(46,328)	(41,929)	(24,360)	(30,042)
	(705,525)	(516,357)	(428,871)	(366,366)

24. Profit before taxation

This is determined after charging (crediting) the following:

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Allowance for				
- doubtful trade receivables (Note 9)	294,880	259,885	279,003	150,242
- due from associate (trade) (Note 13)	70,000	364,081	70,000	120,000
Auditors' remuneration				
- auditors of the Company	80,000	65,500	68,000	54,000
- other auditors	22,903	16,438	–	–
Non-audit fees				
- auditors of the Company	25,100	23,100	20,500	18,300
- other auditors	–	35,000	–	35,000
Directors' fees				
- directors of the Company (Note 25)	36,000	30,000	36,000	30,000
Directors' remuneration				
- directors of the Company (Note 25)	697,005	662,496	697,005	662,496
- directors of subsidiaries	621,459	601,994	–	–
Amortisation of				
- trademarks/customer acquisition costs (Note 7)	–	2,870	–	–
- product listing fees (Note 7)	43,582	35,202	43,582	35,202
Bad trade receivables written off	81,304	24,195	63,235	11,561
Depreciation of				
- property, plant and equipment (Note 3)	1,998,787	2,145,890	616,483	647,329
- brooder stocks (Note 4)	263,180	165,830	29,190	29,190
Property, plant and equipment written off	–	1,059	–	–
(Gain) loss on disposal of				
- property, plant and equipment	(2,772)	11,935	(10,267)	(14,286)
- a subsidiary	–	30,088	–	(248,577)
- an associate	–	–	28,722	–
Operating lease expenses	1,293,716	1,082,843	113,119	110,468
Personnel expenses (Note 26)	10,082,939	8,992,873	5,465,522	4,852,060
Exchange gain, net	(293,047)	(197,496)	(276,094)	(149,577)

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25. Directors' remuneration

Number of directors of the Company in remuneration bands is as follows:

	2006	2005
$500,000 and above	–	–
$250,000 to $499,999	–	–
Below $250,000	7	7
	7	7

Summary of compensation tables for the years ended 31 December:

Name of director	Salary * $	Bonus * $	Directors' fees $	Total $
2006				
Kenny Yap Kim Lee	187,020	–	–	187,020
Alvin Yap Ah Seng	163,020	–	–	163,020
Andy Yap Ah Siong	163,020	–	–	163,020
Lai Chin Yee	151,020	32,925	–	183,945
Robson Lee Teck Leng	–	–	12,000	12,000
Chang Weng Leong	–	–	12,000	12,000
Tan Tow Ee	–	–	12,000	12,000
Total	664,080	32,925	36,000	733,005
2005				
Kenny Yap Kim Lee	180,600	–	–	180,600
Alvin Yap Ah Seng	163,800	–	–	163,800
Andy Yap Ah Siong	163,800	–	–	163,800
Lai Chin Yee	137,796	16,500	–	154,296
Robson Lee Teck Leng	–	–	10,000	10,000
Chang Weng Leong	–	–	10,000	10,000
Tan Tow Ee	–	–	10,000	10,000
Total	645,996	16,500	30,000	692,496

* The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contributions.

26. Personnel expenses

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Salaries and bonus	8,916,963	8,006,953	4,934,213	4,374,206
Provident Fund contributions	593,948	598,421	321,662	330,718
Staff welfare benefits	572,027	387,499	209,647	147,136
	10,082,938	8,992,873	5,465,522	4,852,060

Included in personnel expenses is directors' remuneration of the Group and of the Company amounting to $1,318,464 and $697,005 (2005: $1,264,490 and $662,496) respectively.

27. Taxation

(a) Major components of income tax expenses

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Current tax				
- current year	1,020,535	869,966	300,000	320,000
- under (over) provision in respect of prior year	36,655	(385,593)	–	40,000
Deferred tax				
- movement in temporary differences	703,215	406,728	–	–
- (over) under provision in respect of prior year	(336,143)	269,532	–	–
	1,424,262	1,160,633	300,000	360,000

(b) Reconciliation between tax expenses and accounting profit

A reconciliation of the tax expense and the product of accounting profit multiplied by the applicable rate for the years ended 31 December is as follows:

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Accounting profit before taxation	5,311,458	4,088,338	2,082,863	2,047,633
Income tax at the applicable tax rate of 20% (2005: 20%) to profits	1,062,292	817,668	416,573	409,527
Effect of expenses not deductible for tax purposes	126,814	39,602	67,086	36,282
Income not subject to taxation	(21,000)	(21,000)	(10,500)	(10,500)
Tax savings arising from Development and Expansion Incentive*	(232,342)	(113,626)	(232,342)	(113,626)
Tax effect of different tax rate in other countries	202,312	118,263	–	–
Net (over) under provision in respect of prior year	(299,488)	(116,061)	–	40,000
Deferred tax assets not recognised	606,569	463,631	60,537	–
Others	(20,895)	(27,844)	(1,354)	(1,683)
Tax expense	1,424,262	1,160,633	300,000	360,000

* In July 2003, the Economic Development Board has granted a Development and Expansion Incentive under the International Headquarters (IHQ) Award to the Company. With the incentive, the Company enjoys a concessionary tax rate of 10% on its qualifying income for a period of 5 years commencing 1 January 2003.

for the year ended 31 December 2006 (In Singapore dollars)

27. Taxation (cont'd)

(c) Deferred taxation

Deferred taxation as at 31 December relates to the following:

	Group		Company	
	2006 **$**	**2005** **$**	**2006** **$**	**2005** **$**
Deferred tax liabilities				
Tax over book depreciation	2,119,909	1,367,875	247,932	196,035
Gain arising from changes in fair values less estimated point-of-sale costs attributable to physical changes of breeder stocks	–	399,160	–	49,160
	2,119,909	1,767,035	247,932	245,195
Deferred tax assets				
Provisions	(14,728)	(10,195)	(12,932)	(10,195)
Net deferred tax liabilities	2,105,181	1,756,840	235,000	235,000

The Group

In accordance with the "Income Tax Law of the People's Republic of China ("PRC") for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

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 that are 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 because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

28. Dividends

The directors now propose a first and final dividend of 0.6 cents per share less tax of 20% amounting to $618,590 in respect of the year ended 31 December 2006 subject to approval at the Annual General Meeting of the Company. The proposed dividend have not been recognised as a liability as at year end in accordance with FRS 10 – Events after the Balance Sheet Date. There are no income tax consequences attached to the dividend proposed by the Company.

A final dividend of 0.5 cents less tax of 20% amounting to $515,492 in respect of the year ended 31 December 2005 was paid in 2006.

29. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company of $2,617,170 (2005: $2,030,289) by the weighted average number of ordinary shares outstanding during the year.

Number of shares

The weighted average number of ordinary shares is arrived at as follows:

	2006	2005
Number of issued ordinary shares at 1 January	128,872,934	128,211,238
Weighted average number of ordinary shares issued during the year	–	134,152
Weighted average number of ordinary shares at 31 December	128,872,934	128,345,390

Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential ordinary shares. The number of unissued shares under options granted under the Qian Hu Post-IPO Employees' Share Option Scheme and their exercise prices are set out in the Directors' Report and Note 31 to the financial statements. The share options have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current year. The average fair value of one ordinary share during financial year 2006 was $0.27 (2005: $0.29) per share.

Number of shares

The weighted average number of ordinary shares adjusted for the unissued shares under option is arrived at as follows:

	2006	2005
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	128,872,934	128,345,390
Weighted average number of ordinary shares under option	1,134,345	1,266,345
Number of shares that would have been issued at fair value	(1,134,345)	(1,266,345)
Weighted average number of ordinary shares (diluted)	128,872,934	128,345,390

for the year ended 31 December 2006 (In Singapore dollars)

30. Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties were as follows:

	Group		Company	
	2006 $	**2005 $**	**2006 $**	**2005 $**
(i) Income				
Sales to subsidiaries	–	–	8,943,617	6,761,642
Management fees received from a subsidiary	–	–	48,000	168,000
(ii) Expenses				
Purchases from subsidiaries	–	–	7,586,796	5,155,607
Fees paid to a firm of which a director is a member	–	11,512	–	11,512
Consultancy fee paid to a company in which a director has a substantial interest	19,300	7,550	19,300	7,550

(b) Compensation of key management personnel

	Group	
	2006 $	**2005 $**
Short-term employee benefits		
• Directors of the Company (Note 25)	697,005	662,496
• Other key management personnel	922,889	833,889
	1,619,894	1,496,385

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

31. Employee benefits

Qian Hu Post-IPO Employees' Share Option Scheme (the "Post-IPO Scheme")

The Post-IPO Scheme was approved and adopted at the Company's Extraordinary General Meeting held on 9 October 2000 to enable eligible employees of the Group, other than directors and controlling shareholders of the Company including their associates, to participate in the equity of the Company. The Post-IPO Scheme is administered by the Post-IPO Option Committee, comprising three directors, Chang Weng Leong, Robson Lee Teck Leng and Tan Tow Ee.

At an Extraordinary General Meeting held on 19 February 2002, the following modifications to the Post-IPO Scheme were approved by the shareholders of the Company:

(a) The Post-IPO Scheme will be extended to include the participation of associates of controlling shareholders. Such associates must be confirmed full-time employees.

(b) The exercise price of the Post-IPO options will be set at a discount of 20% to the prevailing market price of the shares. The associates of controlling shareholders will be entitled to the same rate of discount to the market price of the shares as other employees who are selected by the Committee to receive discounted options.

Other information regarding the Post-IPO Scheme are set out below:

- Size of Plan

  The total number of new shares over which options may be granted shall not exceed 10% of the issued share capital of the Company on the day immediately preceding the offer date of the options ("Offer Date").

- Grant of Option

  Options may be granted from time to time during the period when the Post-IPO Scheme is in force, except that options shall only be granted on or after the third market day on which an announcement of any matter involving unpublished price sensitive information is released.

- Acceptance of Option

  The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of $1.

- Exercise Period

  The exercise period of an option granted at a discount of 20% to the prevailing market price of the shares commences after two years from the Offer Date.

On 1 August 2002, 1,620,000 options were granted to eligible employees of the Group, including associates of controlling shareholders of the Company to subscribe for ordinary shares of the Company at an exercise price of $0.59 per share, exercisable from 1 August 2004 to 31 July 2012.

There were no options (2005: nil) granted and 96,000 (2005: 120,000) options were cancelled due to resignation of employees in the current year. The number of options outstanding as at end of the year were 1,122,000 (2005: 1,218,000).

32. Commitments

As at 31 December, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating lease as follows:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Future minimum lease payments				
- Within 1 year	282,713	295,749	101,084	101,084
- After 1 year but within 5 years	879,990	367,114	296,286	302,226
- After 5 years	135,344	209,168	135,344	209,168
	1,298,047	872,031	532,714	612,478

Lease terms do not contain restrictions on the Group's and the Company's activities concerning dividends, additional debt or further leasing.

33. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly bank loans and expenses, corporate assets and head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and broder stocks.

(a) *Analysis by Business Segments*

The Group is organised on a worldwide basis into three main operating segments, namely:

(i) Fish-farming, breeding, distribution and trading of ornamental fish

(ii) Accessories - manufacturing and distribution of aquarium and pet accessories

(iii) Plastics - manufacturing of plastic bags

	Fish	Accessories	Plastics	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
2006					
Revenue					
External revenue	39,598	26,581	9,932	–	76,111
Inter-segment revenue	8,291	10,279	144	(18,714)	–
Total revenue	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					(706)
Financial income					16
Taxation					(1,424)
Profit for the year					3,887

33. Segment reporting (cont'd)

(a) *Analysis by Business Segments* (cont'd)

	Fish $'000	Accessories $'000	Plastics $'000	Eliminations $'000	Group $'000
2006					
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
2005					
Revenue					
External revenue	33,461	25,635	7,171	–	66,267
Inter-segment revenue	6,678	7,393	154	(14,225)	–
Total revenue	40,139	33,028	7,325	(14,225)	66,267
Results					
Segment results	4,593	621	434	134	5,782
Unallocated expenses					(1,183)
					4,599
Financial expenses					(516)
Financial income					6
Taxation					(1,161)
Profit for the year					2,928
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	4,062	673	78	–	4,813
Depreciation and amortisation	1,074	923	353	–	2,350
Other non-cash expenses	541	39	111	–	691

33. Segment reporting (cont'd)

(b) *Analysis by Geographical Segments*

In presenting information on the basis of geographical segments, segment turnover is based on the location of customers regardless of where the business is conducted. Segment assets are based on the geographical location of those assets.

	Turnover		Assets		Capital expenditure	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**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	4,532
Europe	12,636	11,547	–	–	–	–
Others	4,267	3,145	–	–	–	–
Total	76,111	66,267	75,362	68,421	6,762	4,813

34. Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk, business risk and interest rate risk. The policies for managing each of these risks are summarised below.

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

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

It is the Group's policy to sell to a diversity of creditworthy customers. Credit risk is managed through the application of credit approvals, setting credit limits and monitoring procedures. The Group's cash balances are placed with banks and financial institutions which are regulated.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents and trade and other receivables in the balance sheets.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies. The currencies giving rise to this risk are primarily US dollar, Euro and Japanese Yen.

34. Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

The Group does not have any formal hedging policy against foreign exchange fluctuations. However, the Group continuously monitors the exchange rates of the major currencies and enters 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.

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

Business risk

The main risk arising from the Group's livestock is business risk. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good healthcare management and hygiene for its livestock. Currently, all its domestic and overseas fish operations have attained ISO 9002 certification.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group obtains additional financing through bank borrowings and finance lease arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The following tables set out the carrying amounts as at 31 December, by maturity or repricing, whichever is earlier, of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2006							
Group							
Fixed rate							
Fixed deposits	24	–	–	–	–	–	24
Bills payable to banks	5,157	–	–	–	–	–	5,157
Finance lease obligations	182	78	17	8	5	–	290
Floating rate							
Bank overdrafts	174	–	–	–	–	–	174
Bank term loans	7,218	–	–	–	–	–	7,218
Company							
Fixed rate							
Fixed deposits	24	–	–	–	–	–	24
Bills payable to banks	1,188	–	–	–	–	–	1,188
Finance lease obligations	80	27	8	8	5	–	128
Floating rate							
Bank term loans	6,300	–	–	–	–	–	6,300

34. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	More than 5 years $'000	Total $'000
2005							
Group							
Fixed rate							
Fixed deposits	23	–	–	–	–	–	23
Bills payable to banks	2,710	–	–	–	–	–	2,710
Finance lease obligations	261	165	44	2	2	1	475
Floating rate							
Bank overdrafts	438	–	–	–	–	–	438
Bank term loans	7,267	–	–	–	–	–	7,267
Company							
Fixed rate							
Fixed deposits	23	–	–	–	–	–	23
Bills payable to banks	1,241	–	–	–	–	–	1,241
Finance lease obligations	119	79	22	–	–	–	220
Floating rate							
Bank term loans	6,200	–	–	–	–	–	6,200

35. Fair value of financial instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Bank balances, other liquid funds and short-term receivables

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

Quoted equity investments

The fair values of quoted equity investments are estimated based on quoted market prices for these investments.

Short-term borrowings and other current payables

The carrying amounts approximate fair values because of the short period to maturity of these instruments.

35. Fair value of financial instruments (cont'd)

Intra-group financial guarantees

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available. The directors have assessed the fair value of these financial guarantees to have no material financial impact on the results and the accumulated profits of the Company for the year ended 31 December 2006.

Bank term loans and finance lease obligations

The fair values of these financial liabilities are estimated using discounted cash flows analysis, based on incremental lending rates for similar types of lending and borrowing arrangements. A comparison of carrying amount and fair value of these financial liabilities that are carried in the financial statements at other than fair value as at 31 December is set out as below:

	Group				Company			
	Carrying amount		Estimated fair value		Carrying amount		Estimated fair value	
	2006	2005	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$	$	$
Financial liabilities								
Finance lease obligations	290,447	474,860	264,549	442,931	127,826	219,876	114,905	209,106
Bank term loans	7,218,131	7,267,115	7,192,286	7,021,520	6,300,000	6,200,000	6,274,155	6,153,493

36. Authorisation of financial statements

The financial statements of the Company for the year ended 31 December 2006 were authorised for issue in accordance with a directors' resolution dated 15 January 2007.

Statistics of Shareholers

as at 31 January 2007

Share Capital

Issued and Fully Paid-up Capital	:	$12,887,293
Class of Shares	:	Ordinary shares
Number of Shares	:	128,872,934

Analysis of Shareholders

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 999	118	9.16	44,447	0.03
1,000 - 10,000	624	48.45	3,026,869	2.35
10,001 - 1,000,000	530	41.15	30,793,917	23.90
1,000,001 and above	16	1.24	95,007,701	73.72
Total	1,288	100.00	128,872,934	100.00

Substantial Shareholders

	Shareholdings registered in the name of the substantial shareholders		Shareholdings held by substantial shareholders in the name of nominees		Shareholdings in which the substantial shareholders are deemed to be interested**	
Name of Shareholders	No. of Shares	%	No. of Shares	%	No. of Shares	%
1. Qian Hu Holdings Pte Ltd	–	–	36,320,842	28.18	–	–
2. Yap Ah Seng Alvin*	6,229,872	4.83	–	–	39,600	0.031
3. Yap Ah Siong Andy*	6,229,872	4.83	–	–	178,200	0.138
4. Yap Kim Choon*	6,229,872	4.83	–	–	–	–
5. Yap Kim Lee Kenny*	5,637,126	4.37	–	–	–	–
6. Yap Hock Huat*	5,344,872	4.15	–	–	84,360	0.065
7. Yap Ping Heng*	5,229,872	4.06	–	–	30,000	0.023
8. Yap Kim Chuan*	3,003,870	2.33	3,226,002	2.50	–	–

* Each has a shareholding of 14.04% in Qian Hu Holdings Pte Ltd (“QHHPL”) except for Yap Kim Lee Kenny whose shareholding in QHHPL is 15.76%.

** Held by spouse.

Statistics of Shareholers

as at 31 January 2007

Twenty Largest Shareholders

	Name of Shareholders	No. of Shares	% of Issued Share Capital
1.	HSBC (Singapore) Nominees Pte Ltd	26,344,602	20.44
2.	DBS Nominees Pte Ltd	10,495,800	8.15
3.	Hong Leong Finance Nominees Pte Ltd	8,451,603	6.56
4.	Yap Ah Seng	6,229,872	4.83
5.	Yap Ah Siong	6,229,872	4.83
6.	Yap Kim Choon	6,229,872	4.83
7.	Yap Kim Lee	5,637,126	4.37
8.	Yap Hock Huat	5,344,872	4.15
9.	Yap Ping Heng	5,229,872	4.06
10.	Yap Kim Chuan	3,003,870	2.33
11.	Yap Hey Cha	2,823,440	2.20
12.	Koh Guat Lee	2,434,849	1.89
13.	Goh Siak Ngan	2,322,851	1.80
14.	Ang Kim Sua	2,155,200	1.67
15.	Lim Peng Chuan	1,058,000	0.82
16.	BNP Paribas Nominees Singapore Pte Ltd	1,016,000	0.79
17.	Tan Boon Khai	1,000,000	0.78
18.	Ng Wah Hong	830,482	0.64
19.	Lim Boo Hua	793,400	0.62
20.	Tan Cheng Hock	674,000	0.52
	Total	98,305,583	76.28

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 26.56% of the issued share capital of the Company was held in the hands of the public as at 31 January 2007. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been compiled with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Monday, 19 March 2007 at 11.00 a.m. to transact the following business:-

Ordinary Business

1 To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2006 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a first and final dividend of 0.6 cents per ordinary share less 20% Singapore income tax for the financial year ended 31 December 2006. **[Resolution 2]**

3 To re-elect Mr Alvin Yap Ah Seng, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 3]**

4 To re-elect Mr Andy Yap Ah Siong who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 4]**

5 To approve the sum of $36,000/- as Directors' fees for the financial year ended 31 December 2006. (2005: $30,000) **[Resolution 5]**

6 To appoint KPMG as Auditors of the Company in place of Ernst & Young to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **[Resolution 6]**

7 To transact any other business that may be transacted at an Annual General Meeting.

Special Business

8 To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modifications:-

Ordinary Resolution:-

General Mandate to authorise the Directors to issue shares or convertible securities

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

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

Notice of Annual General Meeting

Special Business (cont'd)

in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that: (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution must be not more than 50% of the issued share capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the issued share capital of the Company (calculated in accordance with (ii) below); and (ii) for the purpose of determining the number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued share capital shall be calculated based on the Company's issued share capital at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent consolidation or subdivision of shares. Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the earlier of the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (a)] **[Resolution 7]**

By Order of the Board

Lai Chin Yee
Yeoh Kar Choo Sharon
Company Secretaries

Singapore
23 February 2007

Explanatory Note (a):

The ordinary resolution set out in item 8 above, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the issued share capital of the Company, of which the aggregate number issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 20% of the issued share capital of the Company, as more particularly set out in the resolution.

Note:

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at No. 71 Jalan Lekar Singapore 698950 not later than 48 hours before the time set for the Annual General Meeting.

Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 28 March 2007 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road #17-00 The Corporate Office, Singapore 068906 up to 5.00 p.m. on 27 March 2007 will be registered to determine shareholders' entitlements to the said dividend.

Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 27 March 2007 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Eighth Annual General Meeting to be held on 19 March 2007, will be paid on 11 April 2007.

By Order of the Board

Lai Chin Yee
Yeoh Kar Choo Sharon
Company Secretaries

Singapore
23 February 2007

Dear Shareholders

We realise that you may not be able to attend our forthcoming Annual General Meeting ("AGM") for some reason or other. As in the previous years, we have set up several channels to communicate with our investors and shareholders. All because we deeply value your feedback and input.

You now may channel your questions and feedback to us via the following methods:

- Through our online feedback at our website, www.qianhu.com
  - At our homepage, please click on 'Qian Hu Feedback'
  - Follow the instructions and click 'Submit' when you have completed the online form
- By calling our automated hotline number 6511 1086
  - Dial 6511 1086
  - Choose your language options
  - Press 1 for 'Feedback'
- By sending us an email through investor@qianhu.com
- By faxing us your feedback through 6766 3995

We will look into all of your feedback questions and answer them during the AGM, provided they reach us before 19 March 2007. A copy of the minutes of the AGM will be posted onto our website and via SGXNET onto the SGX website.

Yours faithfully

Kenny Yap Kim Lee
Executive Chairman and Managing Director
Qian Hu Corporation Limited

To facilitate your attendance at our Annual General Meeting (AGM) on **19 March 2007**, at **No. 71 Jalan Lekar Singapore 698950 at 11am**, transport arrangements have been made available for you.

We have chartered a bus to ferry you from the Choa Chu Kang Bus Interchange (next to Choa Chu Kang MRT Station) to our meeting venue.

Please proceed to the Choa Chu Kang Bus Interchange Berth B5. The bus will leave at 10:40am sharp.

Transport will also be provided back to the Choa Chu Kang Bus Interchange after the meeting.

IMPORTANT FOR CPF INVESTORS ONLY:

1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF investors and shall not be effective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of Qian Hu Corporation Limited.

Proxy Form

QIAN HU CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199806124N)

I/We ____________________ NRIC/Passport/Co. Registration No. ____________________

of ____

being a member/members of **QIAN HU CORPORATION LIMITED** hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us and on my/our behalf and, if necessary to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at No 71 Jalan Lekar Singapore 698950 on Monday, 19 March 2007 at 11.00 a.m. and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the AGM. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	For*	Against*
AS ORDINARY BUSINESS			
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2006		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Alvin Yap Ah Seng as director		
4	Re-election of Mr Andy Yap Ah Siong as director		
5	Approval of directors' fees		
6	Appointment of auditors		
AS SPECIAL BUSINESS			
7	Authority to allot and issue new shares		

* Please indicate your vote "For" or "Against" with a "X" within the box provided.

Dated this ____________ day of ____________ 2007

Total Number of Shares Held

____

Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, he shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at No. 71 Jalan Lekar, Singapore 698950 not less than 48 hours before the time set for the Annual General Meeting.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.
5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.
7. The Company shall be entitled to reject this instrument of proxy if it is incomplete improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company may reject an instrument of proxy lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time set for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

QIAN HU CORPORATION LIMITED
COMPANY REG. NO.: 199806124N

No. 71 Jalan Lekar Singapore 698950
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