



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

FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT AND LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2007**

	Note	Group		Change %
		3 months ended 31 Mar		
		2007 \$'000	2006 \$'000	
Revenue		21,981	18,139	21.2
Cost of sales		(14,518)	(11,816)	22.9
Gross profit		7,463	6,323	18.0
Other operating income		66	54	22.2
		7,529	6,377	18.1
Selling & distribution expenses		(702)	(695)	1.0
General & administrative expenses	i	(4,969)	(4,429)	12.2
Profit from operations	iii	1,858	1,253	48.3
Financial expenses	ii	(193)	(174)	10.9
Financial income		3	9	(66.7)
		1,668	1,088	53.3
Share of results of associates		-	-	-
Profit before taxation		1,668	1,088	53.3
Taxation	iv	(435)	(282)	54.3
Profit for the period		1,233	806	53.0
Attributable to:				
Shareholders of the Company		947	522	81.4
Minority interests		286	284	0.7
		1,233	806	53.0
Gross profit margin		34.0%	34.9%	
Net profit margin		5.6%	4.4%	

Notes to Statement of Profit and Loss

- (i) The higher amount of general and administrative expenses incurred in the 1st quarter of 2007 as compared to that of its corresponding period in 2006 was mainly due to the increase in personnel expenses as a result of annual salary revision and the increase in overall headcount of the Group during the current quarter.
- (ii) The increase in financial expenses in the current quarter as compared to its corresponding period in 2006 was mainly due to interest incurred on higher amount of bank borrowings during the period.



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

(iii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group	
	3 months ended 31 Mar	
	2007	2006
	\$'000	\$'000
Auditors' remuneration		
- auditors of the Company	18	18
- other auditors	6	3
Non-audit fees		
- auditors of the Company	-	1
Directors' fees		
- directors of the Company	10	10
Directors' remuneration		
- directors of the Company	202	166
- directors of subsidiaries	152	128
Amortisation of product listing fees	10	10
Bad trade receivables written off	-	1
Depreciation of		
- property, plant and equipment	475	524
- brooder stocks	83	54
Gain on disposal of property, plant and equipment	(29)	(16)
Allowance for		
- doubtful trade receivables	239	-
- due from associates (trade)	-	30
Operating lease expenses	254	261
Personnel expenses *	2,873	2,538
Exchange gain, net	(85)	(66)

* Include directors' remuneration.

(iv) **Taxation**

Despite applying the concessionary tax rate of 10% from the Company's IHQ status on its qualifying income in both periods, the tax charge was higher than the amount obtained by applying the statutory tax rate on profit before taxation mainly due to:

- losses incurred by some subsidiaries which cannot be offset against profits earned by other companies in the Group. However, these losses are available for set-off against future profits of the respective subsidiaries subject to the agreement of the tax authorities; and
- varying statutory tax rates of different countries in which the Group operates.



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

	Group		Company	
	31 Mar 2007	31 Dec 2006	31 Mar 2007	31 Dec 2006
	\$	\$	\$	\$
Equity attributable to Shareholders of the Company				
Share capital	18,997,444	18,997,444	18,997,444	18,997,444
Reserves	24,567,725	23,489,347	18,655,637	18,042,095
	43,565,169	42,486,791	37,653,081	37,039,539
Minority Interests	6,623,517	6,386,450	-	-
Total Equity	50,188,686	48,873,241	37,653,081	37,039,539
Non-Current Assets				
Property, plant and equipment	12,287,398	11,490,339	2,672,321	2,809,722
Brooder stocks	16,212,138	15,279,911	1,247,873	1,255,170
Investments in subsidiaries	-	-	11,152,586	11,152,586
Quoted equity investment	3,630	3,597	-	-
Intangible assets	2,165,118	1,913,459	167,678	174,389
Current Assets				
Inventories	21,690,031	21,647,322	5,884,228	5,919,631
Breeder stocks	1,721,800	1,721,800	245,800	245,800
Trade receivables	16,897,383	15,913,049	7,764,305	7,962,236
Other receivables, deposits and prepayments	1,677,580	1,751,825	283,784	276,147
Due from				
- subsidiaries (trade)	-	-	16,334,828	16,002,851
- subsidiaries (non-trade)	-	-	2,688,906	2,703,720
Fixed deposits	23,706	23,706	23,706	23,706
Cash and bank balances	6,342,006	5,617,192	3,543,017	3,677,172
	48,352,506	46,674,894	36,768,574	36,811,263
Current Liabilities				
Trade payables	6,625,341	6,007,592	2,830,952	3,267,276
Bills payable to banks (unsecured)	4,692,027	5,156,871	988,547	1,188,399
Other payables and accruals	3,529,322	3,746,860	2,660,172	2,913,118
Due to				
- subsidiaries (trade)	-	-	124,011	81,885
- subsidiaries (non-trade)	-	-	790,000	690,000
- minority shareholders of subsidiaries (non-trade)	1,031,666	1,146,569	-	-
Finance lease obligations	172,290	181,723	63,240	79,676
Bank term loans	6,550,789	6,536,711	6,150,000	6,300,000
Provision for taxation	935,313	643,738	480,087	360,087
Bank overdraft (unsecured)	1,127,912	173,570	-	-
	24,664,660	23,593,634	14,087,009	14,880,441
Net Current Assets	23,687,846	23,081,260	22,681,565	21,930,822
Non-Current Liabilities				
Finance lease obligations	(86,471)	(108,724)	(33,942)	(48,150)
Bank term loans	(1,584,629)	(681,420)	-	-
Deferred taxation	(2,496,344)	(2,105,181)	(235,000)	(235,000)
Net Assets	50,188,686	48,873,241	37,653,081	37,039,539



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

	Group		Company	
	31 Mar 2007	31 Dec 2006	31 Mar 2007	31 Dec 2006
Inventory turnover (days)	145	168	57	74
Trade receivables turnover (days)	67	74	53	68
Debt equity ratio	0.57	0.54	0.38	0.41

Notes to Balance Sheets

(1) The details of subsidiaries are as follows:

Name	Effective equity interest held by the Group		Cost of investment by the Company	
	31 Mar 2007	31 Dec 2006	31 Mar 2007	31 Dec 2006
	%	%	\$	\$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	150,451	150,451
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Kim Kang Aquaculture Sdn Bhd and its subsidiary: (Malaysia)	65	65	7,699,891	7,699,891
- Kim Kang Frozen Food Sdn Bhd (formerly known as Qian Hu The Pet Family (KK) Sdn Bhd) (Malaysia)	65	65	-	-
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd (People's Republic of China)	100	100	1,686,039	1,686,039
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	1,086,516	1,086,516
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited (Thailand)	60	60	121,554	121,554
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
			11,152,586	11,152,586

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



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Notes to Balance Sheets (cont'd)

(2) Intangible assets comprise:

	Group		Company	
	31 Mar 2007	31 Dec 2006	31 Mar 2007	31 Dec 2006
	\$	\$	\$	\$
Trademarks/customer acquisition costs	704,647	700,996	686,882	683,392
Product listing fess	196,153	196,153	196,153	196,153
Goodwill on consolidation	1,997,440	1,739,070	-	-
	<u>2,898,240</u>	<u>2,636,219</u>	<u>883,035</u>	<u>879,545</u>
Less accumulated amortisation	(733,122)	(722,760)	(715,357)	(705,156)
	<u>2,165,118</u>	<u>1,913,459</u>	<u>167,678</u>	<u>174,389</u>

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the acquisition of trademarks rights and existing customer base of two brands of pet food, namely "ARISTO-CATS YI HU" and "Nature's Gift". With the adoption of the revised FRS 38 *Intangible Assets*, trademarks/customer acquisition costs were determined to have indefinite lives. Accordingly, the carrying amount as at 1 January 2005 was no longer amortised, but is now subject to annual impairment testing.

Product listing fees relate to cost paid to third parties in relation to the entitlements to list and sell the Company's products in certain supermarkets. The remaining amortisation period for product list fees ranges from 2 to 3 years.

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of subsidiaries acquired. It was stated at cost from the date of initial recognition and amortised over its estimated useful life of 20 years. With the adoption of FRS 103 *Business Combinations* on 1 January 2005, the Group discontinued amortisation of goodwill on consolidation. The remaining goodwill balance is subject to annual impairment testing.

(3) Inventories comprise:

	Group		Company	
	31 Mar 2007	31 Dec 2006	31 Mar 2007	31 Dec 2006
	\$	\$	\$	\$
Fish	7,675,499	8,024,510	2,238,915	2,213,171
Accessories	13,776,727	13,329,875	3,970,773	4,036,779
Plastics products - raw materials	122,372	212,802	-	-
Plastics products - finished goods	539,542	504,244	-	-
	<u>22,114,140</u>	<u>22,071,431</u>	<u>6,209,688</u>	<u>6,249,950</u>
Less allowance for inventory obsolescence	(424,109)	(424,109)	(325,460)	(330,319)
	<u>21,690,031</u>	<u>21,647,322</u>	<u>5,884,228</u>	<u>5,919,631</u>



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Notes to Balance Sheets (cont'd)

- (4) The increase in trade receivables balance as at 31 March 2007 was as a result of higher revenue registered during 1st quarter of 2007 as compared to its corresponding period in 2006. The Group typically grants existing customers credit terms of 30 to 90 days.

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

	Group		Company	
	31 Mar 2007	31 Dec 2006	31 Mar 2007	31 Dec 2006
	\$	\$	\$	\$
Due within 1 year:				
Short term loans (unsecured)	6,150,000	6,300,000	6,150,000	6,300,000
Long-term loans, current portion				
- secured	40,448	40,448	-	-
- unsecured	360,341	196,263	-	-
	400,789	236,711	-	-
	6,550,789	6,536,711	6,150,000	6,300,000
Due after 1 year:				
Long-term loans				
- secured	122,917	128,507	-	-
- unsecured	1,461,712	552,913	-	-
	1,584,629	681,420	-	-
	8,135,418	7,218,131	6,150,000	6,300,000

The unsecured short-term loans are revolving bank loans that bear interest at rates ranging from 4.75% to 5.26% (31/12/2006: 5.18% to 5.27%) per annum.

The long-term loans comprise:

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

As at 31 March 2007, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$8.8 million (31/12/2006: \$7.6 million). As announced previously, the adoption of the amendments to FRS 39 *Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts* (effective from financial years beginning on or after 1 January 2006), which required the Company to measure the financial guarantees given to financial institutions for bank borrowings of its subsidiaries at fair value upon inception of the guarantees, was assessed to have no material financial impact on the Group's financial statements.



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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2007**

	Group	
	3 months ended 31 Mar	
	2007	2006
	\$	\$
Cash flows from operating activities		
Profit before taxation and minority interests	1,668,269	1,087,813
Adjustments for:		
Bad trade receivables written off	-	1,062
Depreciation of		
- property, plant and equipment	475,287	524,240
- brooder stocks	82,644	53,581
Gain on disposal of property, plant and equipment	(29,341)	(15,800)
Property, plant and equipment written off	378	-
Amortisation of product listing fees	10,202	10,202
Allowance for		
- doubtful trade receivables	239,394	-
- due from associates (trade)	-	30,000
Financial expenses	193,256	173,933
Financial income	(3,103)	(9,413)
Operating profit before working capital changes	2,636,986	1,855,618
(Increase) decrease in:		
Inventories	(234,020)	(2,991,850)
Trade receivables	(1,027,166)	(69,240)
Other receivables, deposits and prepayments	109,954	(217,539)
Increase (decrease) in:		
Trade payables	581,007	1,028,611
Bills payable to banks	(501,252)	922,698
Other payables and accruals	(280,838)	(152,399)
Cash generated from operations	1,284,671	375,899
Payment of income tax	(151,432)	(33,797)
Interest paid	(150,392)	(174,008)
Net cash generated from operating activities	982,847	168,094
Cash flows from investing activities		
Purchase of		
- property, plant and equipment	(1,151,464)	(218,193)
- brooder stocks	(886,204)	(701,800)
Proceeds from disposal of property, plant and equipment	40,679	60,127
Payment for trademarks/customer acquisition costs	(3,491)	(18,416)
Net cash used in investing activities	(2,000,480)	(878,282)



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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2007 (cont'd)**

	3 months ended 31 Mar	
	2007	2006
	\$	\$
Cash flows from financing activities		
Drawdown of bank term loans	1,100,000	-
Repayment of		
- finance lease obligations	(60,969)	(104,605)
- bank term loans	(191,137)	(39,082)
- loans from minority shareholders of subsidiaries	(125,422)	(206,274)
Interest received	3,103	9,413
Net cash generated from (used in) financing activities	725,575	(340,548)
Net decrease in cash and cash equivalents	(292,058)	(1,050,736)
Cash and cash equivalents at beginning of period	5,467,328	4,335,742
Effect of exchange rate changes on cash balances held in foreign currencies	62,530	5,781
Cash and cash equivalents at end of period (Note i)	5,237,800	3,290,787

Notes to Statement of Cash Flows

(i) Cash and cash equivalents comprise:

	Group	
	31 Mar 2007	31 Mar 2006
	\$	\$
Fixed deposits	23,706	23,046
Cash and bank balances	6,342,006	3,895,682
Bank overdraft	(1,127,912)	(627,941)
	5,237,800	3,290,787

(ii) The significant improvement in the Group's **net cash generated from operating activities** on a quarter-on-quarter basis was due to higher operating profit generated for the quarter ended 31 March 2007 as compared to its corresponding period in 2006. In addition, we were able to better manage our cash flow by securing better credit terms from our regular suppliers for purchases made. During the 1st quarter of 2006, more funds were redeployed into inventory purchases in anticipation of the continuous increase in demand of Dragon Fish in the following quarters. The Group's Dragon Fish inventory level has since stabilized, as such, there were no significant amount of additional purchases made during the current period.

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

Net cash generated from financing activities for the 1st quarter of 2007 was related to cash proceeds from the drawdown of an additional long-term bank loan granted by a financial institution to finance the capital expenditure incurred. The amount was partially offset by repayment made to minority shareholders of a subsidiary and the settlement of finance lease obligations on a monthly basis.



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

Group	Equity attributable to Shareholders of the Company				Total	Minority interests	Total Equity
	Share capital	Share premium	Accumulated profits	Translation reserve			
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 Jan 2006	12,887,293	6,110,151	21,975,143	(447,802)	40,524,785	5,169,740	45,694,525
Net loss recognised directly in equity:							
- Currency translation differences	-	-	-	(54,377)	(54,377)	(15,803)	(70,180)
Profit for the period	-	-	521,539	-	521,539	284,324	805,863
Total recognised gain (loss) for the period	-	-	521,539	(54,377)	467,162	268,521	735,683
Transfer of share premium reserve to share capital [see Note (a) below]	6,110,151	(6,110,151)	-	-	-	-	-
Balance at 31 Mar 2006	18,997,444	-	22,496,682	(502,179)	40,991,947	5,438,261	46,430,208
Net loss recognised directly in equity:							
- Currency translation differences	-	-	-	(109,929)	(109,929)	(52,501)	(162,430)
Profit for the period	-	-	594,564	-	594,564	395,614	990,178
Total recognised gain (loss) for the period	-	-	594,564	(109,929)	484,635	343,113	827,748
Payment of first and final dividend	-	-	(515,492)	-	(515,492)	-	(515,492)
Balance at 30 Jun 2006	18,997,444	-	22,575,754	(612,108)	40,961,090	5,781,374	46,742,464
Net loss recognised directly in equity:							
- Currency translation differences	-	-	-	(99,503)	(99,503)	(47,187)	(146,690)
Profit for the period	-	-	631,666	-	631,666	161,723	793,389
Total recognised gain (loss) for the period	-	-	631,666	(99,503)	532,163	114,536	646,699
Balance at 30 Sep 2006	18,997,444	-	23,207,420	(711,611)	41,493,253	5,895,910	47,389,163
Net gain recognised directly in equity:							
- Currency translation differences	-	-	-	124,137	124,137	62,175	186,312
Profit for the period	-	-	869,401	-	869,401	428,365	1,297,766
Total recognised gain for the period	-	-	869,401	124,137	993,538	490,540	1,484,078
Balance at 31 Dec 2006	18,997,444	-	24,076,821	(587,474)	42,486,791	6,386,450	48,873,241
Net gain (loss) recognised directly in equity:							
- Currency translation differences	-	-	-	131,854	131,854	(49,024)	82,830
Profit for the period	-	-	946,524	-	946,524	286,091	1,232,615
Total recognised gain for the period	-	-	946,524	131,854	1,078,378	237,067	1,315,445
Balance at 31 Mar 2007	18,997,444	-	25,023,345	(455,620)	43,565,169	6,623,517	50,188,686

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



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

Company	Share capital \$	Share premium \$	Accumulated profits \$	Total \$
Balance at 1 Jan 2006	12,887,293	6,110,151	16,774,724	35,772,168
Total recognised gain for the period:				
- Profit for the period	-	-	491,033	491,033
Transfer of share premium reserve to share capital [see Note (a) above]	6,110,151	(6,110,151)	-	-
Balance at 31 Mar 2006	18,997,444	-	17,265,757	36,263,201
Total recognised gain for the period:				
- Profit for the period	-	-	479,554	479,554
Payment of first and final dividend	-	-	(515,492)	(515,492)
Balance at 30 Jun 2006	18,997,444	-	17,229,819	36,227,263
Total recognised gain for the period:				
- Profit for the period	-	-	469,026	469,026
Balance at 30 Sep 2006	18,997,444	-	17,698,845	36,696,289
Total recognised gain for the period:				
- Profit for the period	-	-	343,250	343,250
Balance at 31 Dec 2006	18,997,444	-	18,042,095	37,039,539
Total recognised gain for the period:				
- Profit for the period	-	-	613,542	613,542
Balance at 31 Mar 2007	18,997,444	-	18,655,637	37,653,081

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

Share capital	Number of shares	\$
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2007 and 31 Mar 2007	128,872,934	18,997,444

As at 31 March 2007, there were 1,086,000 (31/12/2006: 1,122,000) unissued ordinary shares in the Company under options granted to eligible employees of the Group, including associates of controlling shareholders of the Company, under the Qian Hu Post-IPO Share Option Scheme ("Post-IPO Scheme") at \$0.59 per share. During the 1st quarter of 2007, there were no share options exercised pursuant to the terms of the Post-IPO Scheme, and 36,000 options were cancelled due to resignations of employees.



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

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the first quarter ended 31 March 2007 to be false or misleading.

On behalf of the Board of Directors

KENNY YAP KIM LEE
Executive Chairman and
Managing Director

ALVIN YAP AH SENG
Deputy Managing Director

Singapore
23 April 2007

2 **AUDIT**

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

3 **AUDITORS' REPORT**

Not applicable

4 **ACCOUNTING POLICIES**

There were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2006.

5 **CHANGES IN ACCOUNTING POLICIES**

Not applicable.

6 **EARNINGS PER ORDINARY SHARE (EPS)**

	Group	
	3 months ended 31 Mar	
	2007	2006
EPS (based on consolidated net profit attributable to shareholders)		
- on weighted average number of ordinary shares on issue (cents)	0.73	0.40
- on a fully diluted basis (cents)	0.73	0.40

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 128,872,934 (31/3/2006: 128,872,934).

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period adjusted to assume conversion of all potential dilutive ordinary shares of 128,872,934 (31/3/2006: 128,872,934).



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7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2007</u>	<u>31 Dec 2006</u>	<u>31 Mar 2007</u>	<u>31 Dec 2006</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	38.94	37.92	29.22	28.74

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

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Revenue**

1Q 2007 vs 1Q 2006

	<u>Group</u>		<u>Increase</u>	
	<u>1Q 2007</u>	<u>1Q 2006</u>	<u>\$'000</u>	<u>%</u>
Fish	10,991	9,715	1,276	13.1
Accessories	8,223	6,379	1,844	28.9
Plastics	2,767	2,045	722	35.3
	<u>21,981</u>	<u>18,139</u>	<u>3,842</u>	21.2

Our revenue increased by \$3.8 million or 21.2% from \$18.1 million in the 1st quarter of 2006 to approximately \$22.0 million in the 1st quarter of 2007. All business activities registered growth in revenue during the current quarter as compared to its corresponding period in 2006.

On a geographical basis, revenue from Singapore and overseas grew by 19.8% and 21.8% respectively this quarter as compared to its corresponding period in 2006. The revenue from our Singapore operations has shown improvement after having been through a process of consolidation. Both the Singapore and overseas operations' constant effort in expanding our distribution network into overseas untapped markets contributed to the increased in overseas revenue.

Fish

Dragon Fish sales continued to dominate the growth in our ornamental fish revenue in the current quarter, coupled with our continuous effort to increase our export of ornamental fish to more customers and countries around the world from Singapore and Thailand, has given rise to the improved ornamental fish revenue in the current quarter as compared to its corresponding period in 2006.

Accessories

As the domestic market stabilizes, more effort was channeled to explore untapped overseas markets in order to increase our accessories export from Singapore to more countries, which has accounted for approximately 65% of the overall increase in accessories revenue in the current quarter as compared to its corresponding period in 2006. In addition, our Guangzhou factory's revenue were higher on a quarter-to-quarter basis as we managed to secure more manufacturing orders from our new and existing OEM customers since the 2nd half of 2006.



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

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

Plastics

Revenue from plastics activities registered a steady increase of \$0.7 million or 35.3% in the current quarter as compared to its corresponding period in 2006 as we managed to focus on generating revenue through selling more high value items with an enlarged products and customer base.

1Q 2007 vs 4Q 2006

	Group		Increase	
	1Q	4Q	(Decrease)	
	2007	2006	\$'000	%
	\$'000	\$'000		
Fish	10,991	10,090	901	8.9
Accessories	8,223	7,823	400	5.1
Plastics	2,767	2,800	(33)	(1.2)
	21,981	20,713	1,268	6.1

Although the revenue from our plastic activities registered flat growth in the 1st quarter of 2007, our ornamental fish and accessories revenue increased by \$1.3 million, which has led to an increase in our overall revenue in the current quarter as compared to that of the previous quarter.

Fish

Our ornamental fish export sales from Singapore and Thailand has recorded higher revenue in the current quarter. In addition, as mentioned earlier, our Dragon Fish sales continue its growth trend into the current quarter has resulted in improved ornamental fish revenue in the 1st quarter of 2007 as compared to that of the previous quarter.

Accessories

With our accessories business being more export-oriented, we managed to leverage on our Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. Our export sales continued to register growth in the current quarter as compare to that of the previous quarter. This increase, however, was partially offset by the lower revenue contribution from our Guangzhou factory due the week-long Chinese New Year holidays as it was closed for production for 5 days.

Plastics

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



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

(b) **Profitability**

1Q 2007 vs 1Q 2006

	Group		Increase (Decrease)	
	1Q 2007 \$'000	1Q 2006 \$'000	\$'000	%
Fish	1,799	1,350	449	33.3
Accessories	181	82	99	120.7
Plastics	190	110	80	72.7
Unallocated corporate expenses	(502)	(454)	(48)	10.6
	1,668	1,088	580	53.3

With the overall increase in revenue, our operating profit in the 1st quarter of 2007 was approximately \$0.6 million or 53.3% higher than that of its corresponding period in 2006, with contribution mainly from the ornamental fish business.

Fish

Our operating profit from the ornamental fish activities increased by approximately \$0.5 million or 33.3% from \$1.3 million to \$1.8 million in the 1st quarter of 2007 as compared to its corresponding period in 2006 was in line with the higher revenue recorded and better margins yielded from the sales of our self-bred Dragon Fish.

Accessories

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

Plastics

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

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



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

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

1Q 2007 vs 4Q 2006

	Group		Increase (Decrease)	
	1Q 2007 \$'000	4Q 2006 \$'000	\$'000	%
Fish	1,799	1,626	173	10.6
Accessories	181	55	126	229.1
Plastics	190	194	(4)	(2.1)
Unallocated corporate expenses	(502)	(263)	(239)	90.9
	1,668	1,612	56	3.5

Fish

With the growth in revenue from the increase in export of ornamental fish and from higher Dragon Fish sales, coupled with the stable profit margins contributions from our self-bred Dragon Fish, the operating profit from our ornamental fish activities increased by \$0.2 million or 10.6% in the current quarter as compared to the previous quarter.

Accessories

During the current quarter, profitability from our accessories business has improved accordingly with the higher revenue and profit yielded from our export business. The marginal profit recorded in the previous quarter was as a result of our conscientious effort made to reduce our inventory level in that quarter, which had affected the profitability of our accessories business in that quarter.

Plastics

The operating profit from our plastic activities remained relatively stable for both periods.

9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

Our Group's future growth depends on:

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



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10 **PROSPECTS (cont'd)**

The factors affecting our Group, which we have previously announced in our last year's result release, are expected to continue to apply in the next quarter. With the steady performance from our Singapore operations, coupled with the positive contributions from our Group's overseas operations in Malaysia, Thailand and China, accordingly, we expect our Group's revenue and profit will continue to increase in the current year.

11 **DIVIDEND**

No interim dividend for the quarter ended 31 March 2007 is recommended.

12 **SEGMENT INFORMATION**

(a) **Business segments**

Group	3 months ended 31 Mar 2007				Total \$'000
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	
Revenue					
External revenue	10,991	8,223	2,767	-	21,981
Inter-segment revenue	2,265	3,202	38	(5,505)	-
Total Revenue	13,256	11,425	2,805	(5,505)	21,981
Results					
Segment results	1,877	194	190	(2)	2,259
Unallocated expenses					(401)
					1,858
Financial expenses - net					(190)
Profit before taxation					1,668
Taxation					(435)
Profit for the period					1,233
Net profit margin	17.1%	2.4%	6.9%		5.6%
Assets and Liabilities					
Assets	47,827	26,763	3,294	-	77,884
Unallocated assets					1,137
Total Assets					79,021
Liabilities	11,363	3,434	1,231	-	16,028
Unallocated liabilities					12,804
Total Liabilities					28,832
Other Information					
Capital expenditure	2,005	35	20	-	2,060
Depreciation and amortisation	313	213	42	-	568
Other non-cash expenses (income)	115	104	(9)	-	210



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

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

Group	3 months ended 31 Mar 2006				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Revenue					
External revenue	9,715	6,379	2,045	-	18,139
Inter-segment revenue	1,846	2,130	35	(4,011)	-
Total Revenue	11,561	8,509	2,080	(4,011)	18,139
Results					
Segment results	1,447	61	111	(97)	1,522
Unallocated expenses					(269)
					1,253
Financial expenses - net					(165)
Profit before taxation					1,088
Taxation					(282)
Profit for the period					806
Net profit margin	14.9%	1.0%	5.4%		4.4%
Assets and Liabilities					
Assets	40,017	26,517	3,011	-	69,545
Unallocated assets					1,494
Total Assets					71,039
Liabilities	9,581	3,038	1,040	-	13,659
Unallocated liabilities					10,949
Total Liabilities					24,608
Other Information					
Capital expenditure	854	44	42	-	940
Depreciation and amortisation	304	210	74	-	588
Other non-cash expenses	(9)	31	(7)	-	15



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

(b) **Geographical segments**

Group	Revenue		Assets		Capital expenditure	
	3 months ended 31 Mar		3 months ended 31 Mar		3 months ended 31 Mar	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	6,658	5,559	25,227	23,914	37	127
Other asian countries	9,965	8,543	53,794	47,125	2,023	813
Europe	3,819	2,683	-	-	-	-
Others	1,539	1,354	-	-	-	-
Total	21,981	18,139	79,021	71,039	2,060	940

13 **BREAKDOWN OF REVENUE**

Revenue (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
3 months ended 31 Mar 2007				
Singapore (including domestic sales & sales to Singapore)	2,134	1,840	2,684	6,658
Overseas (including export to & sales in overseas)	8,757	6,483	83	15,323
Total Revenue	10,891	8,323	2,767	21,981
3 months ended 31 Mar 2006				
Singapore	2,059	1,512	1,988	5,559
Overseas	7,656	4,867	57	12,580
Total Revenue	9,715	6,379	2,045	18,139

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
23/04/2007