



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

UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

1(a) **STATEMENT OF PROFIT AND LOSS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2006**

	Note	Group			Group		
		3 months ended 30 Sep		Change %	9 months ended 30 Sep		Change %
		2006 \$'000	2005 \$'000		2006 \$'000	2005 \$'000	
Turnover		18,970	15,997	18.6	55,398	47,967	15.5
Cost of sales		(12,638)	(9,697)	30.3	(35,856)	(29,953)	19.7
Gross profit		6,332	6,300	0.5	19,542	18,014	8.5
Other operating income		40	32	25.0	163	101	61.4
		<u>6,372</u>	<u>6,332</u>	<u>0.6</u>	<u>19,705</u>	<u>18,115</u>	<u>8.8</u>
Selling & distribution expenses	i	(564)	(390)	44.6	(1,870)	(1,722)	8.6
General & administration expenses	i	(4,619)	(4,383)	5.4	(13,621)	(13,291)	2.5
Profit from operations	ii	1,189	1,559	(23.7)	4,214	3,102	35.8
Interest expenses	i	(177)	(148)	19.6	(528)	(391)	35.0
Interest income		2	-	-	13	5	160.0
		<u>1,014</u>	<u>1,411</u>	<u>(28.1)</u>	<u>3,699</u>	<u>2,716</u>	<u>36.2</u>
Share of associates results		-	-	-	-	-	-
Profit before taxation		1,014	1,411	(28.1)	3,699	2,716	36.2
Taxation	iii	(220)	(144)	52.8	(1,109)	(382)	190.3
Profit for the period		794	1,267	(37.3)	2,590	2,334	11.0
Attributable to:							
Shareholders of the Company		632	543	16.4	1,748	1,494	17.0
Minority interests		162	724	(77.6)	842	840	0.2
		<u>794</u>	<u>1,267</u>	<u>(37.3)</u>	<u>2,590</u>	<u>2,334</u>	<u>11.0</u>
Gross profit margin		33.4%	39.4%		35.3%	37.6%	
Net profit margin		4.2%	7.9%		4.7%	4.9%	

Notes to Statement of Profit and Loss

- (i) The general & administration expenses incurred in the 3rd quarter of 2006 and for the 9 months ended 30 September 2006 were relatively comparable to its corresponding period in 2005. The higher selling and distribution expenses incurred during the current period as compared to 2005 were in line with the overall increase in turnover.

Notwithstanding the lower amounts of bank borrowings outstanding throughout the first 9 months in 2006 (as compared to in Year 2005), the increase in interest expenses was mainly due to higher interest rates in 2006 as compared to its corresponding period in 2005.



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

(ii) **Profit from operations**

This is determined after charging (crediting) the following:

	Group		Group	
	3 months ended 30 Sep 2006	2005	9 months ended 30 Sep 2006	2005
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	20	17	56	53
- other auditors	3	2	9	11
Non-audit fees				
- auditors of the Company	16	12	21	17
- other auditors	-	-	-	15
Directors' fees				
- directors of the Company	8	10	26	25
Directors' remuneration				
- directors of the Company	166	170	498	497
- directors of subsidiaries	127	122	382	456
Amortisation of product listing fees	11	6	31	19
Bad trade receivables written off	71	11	82	24
Depreciation of				
- property, plant and equipment	482	516	1,502	1,609
- brooder stocks	68	43	182	118
Loss (Gain) on disposal of property, plant and equipment	3	(5)	(22)	(4)
Allowance for				
- doubtful trade receivables	67	82	104	294
- due from associates (trade)	10	81	70	256
Operating lease expenses	337	341	963	948
Personnel expenses *	2,361	2,224	7,410	6,906
Exchange gain, net	(66)	(61)	(177)	(240)

* Include directors' remuneration.

(iii) **Taxation**

Despite applying the concessionary tax rate of 10% from the Company's IHQ status on its qualifying income in the current quarter and for the 9 months ended 30 September 2006, the tax charge was higher than the amount obtained by applying the statutory tax rate on profit before taxation mainly due to:

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



QIAN HU CORPORATION LIMITED
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1(b)(i) **BALANCE SHEETS**

	Group		Company	
	30 Sep 2006	31 Dec 2005	30 Sep 2006	31 Dec 2005
	\$	\$	\$	\$
Equity attributable to Shareholders of the Company				
Share capital	18,997,444	12,887,293	18,997,444	12,887,293
Reserves	22,495,809	27,637,492	17,698,845	22,884,875
	41,493,253	40,524,785	36,696,289	35,772,168
Minority Interests	5,895,910	5,169,740	-	-
Total Equity	47,389,163	45,694,525	36,696,289	35,772,168
Non-Current Assets				
Property, plant and equipment	11,683,542	12,665,599	2,934,130	3,199,783
Brooder stocks	14,008,093	9,961,895	1,262,467	1,284,360
Investments in subsidiaries	-	-	10,441,040	9,959,406
Investment in associate	-	-	-	28,722
Quoted equity investments	3,547	3,647	-	-
Intangible assets	1,893,145	1,896,283	154,075	157,213
Current Assets				
Inventories	22,400,094	20,208,130	6,099,157	5,444,297
Breeder stocks	1,721,800	1,721,800	245,800	245,800
Trade receivables	14,608,233	15,125,859	6,670,524	7,306,059
Other receivables, deposits and prepayments	1,544,821	1,799,382	515,709	334,633
Due from				
- subsidiaries (trade)	-	-	17,190,497	16,213,014
- subsidiaries (non-trade)	-	-	2,685,796	2,235,930
- associates (trade)	-	264,614	-	264,614
Fixed deposits	23,706	23,046	23,706	23,046
Cash and bank balances	4,930,666	4,750,282	2,724,424	2,852,125
	45,229,320	43,893,113	36,155,613	34,919,518
Current Liabilities				
Trade payables	6,922,138	4,465,515	3,034,158	2,304,616
Bills payable to banks	3,733,881	2,710,354	822,781	1,240,704
Other payables and accruals	3,375,796	3,510,623	2,521,082	2,501,206
Due to				
- subsidiaries (trade)	-	-	51,825	340,605
- subsidiaries (non-trade)	-	-	610,000	410,000
- minority shareholders of a subsidiary (non-trade)	924,835	1,252,430	-	-
Finance lease obligations	204,411	260,852	97,189	119,496
Bank term loans	6,644,411	6,360,808	6,500,000	6,200,000
Provision for taxation	803,711	850,689	317,877	324,827
Bank overdraft	148,838	437,586	-	-
	22,758,021	19,848,857	13,954,912	13,441,454
Net Current Assets	22,471,299	24,044,256	22,200,701	21,478,064
Non-Current Liabilities				
Finance lease obligations	(143,785)	(214,008)	(61,124)	(100,380)
Bank term loans	(800,078)	(906,307)	-	-
Deferred taxation	(1,726,600)	(1,756,840)	(235,000)	(235,000)
Net Assets	47,389,163	45,694,525	36,696,289	35,772,168



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

	Group		Company	
	30 Sep 2006	31 Dec 2005	30 Sep 2006	31 Dec 2005
Inventory turnover (days)	175	187	78	77
Trade receivables turnover (days)	73	79	64	68
Debt equity ratio	0.54	0.50	0.39	0.39

Notes to Balance Sheets

(1) The details of subsidiaries are as follows:

Name	Effective equity interest held by the Group		Cost of investment by the Company	
	30 Sep 2006	31 Dec 2005	30 Sep 2006	31 Dec 2005
	%	%	\$	\$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	150,451	150,451
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Kim Kang Aquaculture Sdn Bhd and its subsidiary: (Malaysia)	65	65	7,699,891	7,699,891
- Qian Hu The Pet Family (KK) Sdn Bhd (Malaysia)	65	65	-	-
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd (People's Republic of China)	100	100	974,493 #	492,859
Shanghai Qian Hu Aquarium and Pets Co., Ltd (People's Republic of China)	100	100	1,086,516	1,086,516
Qian Hu Marketing Co Ltd (Thailand)	74	74	148,262	148,262
Thai Qian Hu Company Limited (Thailand)	60	60	121,554	121,554
NNTL (Thailand) Limited (Thailand)	49 *	49 *	30,999	30,999
			10,441,040	9,959,406

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

Additional investment made in 3rd quarter of 2006. The Company has committed to invest an additional US\$450,000 in the last quarter of 2006.



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Notes to Balance Sheets (cont'd)

(2) The details of associate are as follows:

Name	Equity interest held by the Company		Cost of investment by the Company	
	30 Sep 2006	31 Dec 2005	30 Sep 2006	31 Dec 2005
	%	%	\$	\$
Jin Jien Hsing Enterprise Co., Ltd (Republic of China)	- *	50	-	28,722
Share of post-acquisition losses			-	(28,722)
			<u>-</u>	<u>-</u>

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

(3) Intangible assets comprise:

	Group		Company	
	30 Sep 2006	31 Dec 2005	30 Sep 2006	31 Dec 2005
	\$	\$	\$	\$
Trademarks/customer acquisition costs	700,753	673,770	683,392	655,924
Product listing fess	162,863	162,863	162,863	162,863
Goodwill on consolidation	1,739,070	1,870,865	-	-
Less elimination of accumulated amortisation	-	(131,795)	-	-
	1,739,070	1,739,070	-	-
	<u>2,602,686</u>	<u>2,575,703</u>	<u>846,255</u>	<u>818,787</u>
Less accumulated amortisation	(709,541)	(679,420)	(692,180)	(661,574)
	<u>1,893,145</u>	<u>1,896,283</u>	<u>154,075</u>	<u>157,213</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".

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

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



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Notes to Balance Sheets (cont'd)

(4) Inventories comprise:

	Group		Company	
	30 Sep 2006	31 Dec 2005	30 Sep 2006	31 Dec 2005
	\$	\$	\$	\$
Fish	8,236,676	6,907,068	2,469,292	2,292,445
Accessories	13,714,275	13,103,720	3,960,184	3,482,171
Plastics products - raw materials	314,354	208,227	-	-
Plastics products - finished goods	465,108	413,224	-	-
	<u>22,730,413</u>	<u>20,632,239</u>	<u>6,429,476</u>	<u>5,774,616</u>
Less allowance for inventory obsolescence	(330,319)	(424,109)	(330,319)	(330,319)
	<u>22,400,094</u>	<u>20,208,130</u>	<u>6,099,157</u>	<u>5,444,297</u>

The increase in inventory balance was due to additional purchases of Dragon Fish made in anticipation of its increasing demand in the following quarters. Accordingly, it has resulted in the increase in trade payables and bills payable as at 30 September 2006.

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

	Group		Company	
	30 Sep 2006	31 Dec 2005	30 Sep 2006	31 Dec 2005
	\$	\$	\$	\$
Due within 1 year:				
Short-term loans (unsecured)	6,500,000	6,200,000	6,500,000	6,200,000
Long-term loans, current portion				
- secured	24,412	160,808	-	-
- unsecured	119,999	-	-	-
	<u>144,411</u>	<u>160,808</u>	<u>-</u>	<u>-</u>
	<u>6,644,411</u>	<u>6,360,808</u>	<u>6,500,000</u>	<u>6,200,000</u>
Due after 1 year:				
Long-term loans				
- secured	145,313	906,307	-	-
- unsecured	654,765	-	-	-
	<u>800,078</u>	<u>906,307</u>	<u>-</u>	<u>-</u>
	<u>7,444,489</u>	<u>7,267,115</u>	<u>6,500,000</u>	<u>6,200,000</u>

The unsecured short-term loans are revolving bank loans which bear interest at rates ranging from 4.71% to 5.39% (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% (31/12/2005: 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% (31/12/2005: 7.5%) per annum.

As at 30 September 2006, there were corporate guarantees given by the Company to banks for banking facilities extended to subsidiaries amounting to \$6.5 million (31/12/2005: \$5.1 million).



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1(c) **STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

	Group		Group	
	3 months ended 30 Sep 2006	2005	9 months ended 30 Sep 2006	2005
	\$	\$	\$	\$
Cash flows from operating activities				
Profit before taxation and minority interests	1,013,759	1,410,998	3,698,654	2,715,804
Adjustments for:				
Bad trade receivables written off	70,988	10,512	81,561	23,828
Depreciation of				
- property, plant and equipment	481,969	516,105	1,501,795	1,609,243
- brooder stocks	68,506	42,871	182,387	117,523
Loss (Gain) on disposal of property, plant and equipment	3,174	(5,019)	(21,947)	(3,708)
Amortisation of product listing fees	10,202	5,938	30,606	19,075
Allowance for				
- doubtful trade receivables	66,680	82,321	104,088	293,960
- due from associates (trade)	10,000	80,906	70,000	256,399
Interest expense	177,356	148,046	528,142	391,147
Interest income	(2,150)	-	(13,521)	(5,003)
Net effect of exchange differences	14,023	(6,141)	13,071	(21,363)
Operating profit before working capital changes	1,914,507	2,286,537	6,174,836	5,396,905
(Increase) decrease in:				
Inventories	688,289	(521,788)	(2,183,594)	(2,208,140)
Trade receivables	229,338	560,041	448,185	673,693
Other receivables, deposits and prepayments	434,082	411,549	236,403	46,571
Due from associates (trade)	-	(26,983)	7,538	85,356
Increase (decrease) in:				
Trade payables	(232,097)	(312,389)	2,435,179	498,589
Bills payable to banks	393,360	446,934	1,063,427	303,961
Other payables and accruals	(35,941)	198,560	(111,816)	440,822
Cash generated from operations	3,391,538	3,042,461	8,070,158	5,237,757
Payment of income tax	(948,157)	(164,602)	(1,146,216)	(473,662)
Interest paid	(188,091)	(152,873)	(540,365)	(391,147)
Net cash generated from operating activities	2,255,290	2,724,986	6,383,577	4,372,948
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(224,128)	(2,267,890)	(706,139)	(3,011,042)
- brooder stocks	(2,008,129)	-	(4,464,174)	-
Proceeds from disposal of property, plant and equipment	20,637	21,330	111,437	58,836
Payment for				
- trademarks/customer acquisition costs	(2,783)	(1,841)	(27,468)	(16,136)
- product listing fees	-	(8,420)	-	(41,761)
Net cash used in investing activities	(2,214,403)	(2,256,821)	(5,086,344)	(3,010,103)



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1(c) **STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006 (cont'd)**

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Sep</u>	<u>2005</u>	<u>9 months ended 30 Sep</u>	<u>2005</u>
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash flows from financing activities				
Drawdown of				
- bank term loans	-	-	300,000	405,000
- loans from minority shareholders of a subsidiary	-	-	-	177,840
Repayment of				
- finance lease obligations	(61,060)	(118,408)	(238,225)	(306,973)
- bank term loans	(16,643)	(527,403)	(93,654)	(1,514,414)
- loans from minority shareholders of a subsidiary	(17,885)	(271,905)	(293,591)	(946,154)
Payment of dividends to shareholders	-	-	(515,492)	-
Interest received	2,150	-	13,521	5,003
Net cash used in financing activities	<u>(93,438)</u>	<u>(917,716)</u>	<u>(827,441)</u>	<u>(2,179,698)</u>
Net (decrease) increase in cash and cash equivalents	(52,551)	(449,551)	469,792	(816,853)
Cash and cash equivalents at beginning of period	4,858,085	3,785,656	4,335,742	4,152,958
Cash and cash equivalents at end of period (Note i)	<u>4,805,534</u>	<u>3,336,105</u>	<u>4,805,534</u>	<u>3,336,105</u>

Notes to Statement of Cash Flows

- (i) Cash and cash equivalents comprise:

	<u>Group</u>	
	<u>30 Sep 2006</u>	<u>30 Sep 2005</u>
	\$	\$
Fixed deposits	23,706	23,046
Cash and bank balances	4,930,666	3,624,120
Bank overdraft	(148,838)	(311,061)
	<u>4,805,534</u>	<u>3,336,105</u>

- (ii) The significant improvement in the Group's **net cash generated from operating activities** for the 9 months ended 30 September 2006 was due to higher operating profit generated during this period as compared to its corresponding period. In addition, we were able to better manage our cash flow by securing better credit terms from our regular suppliers for purchases made.

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

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



QIAN HU CORPORATION LIMITED
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1(d)(i) **STATEMENTS OF CHANGES IN EQUITY**

Group	Share capital \$	Share premium \$	Revenue reserve \$	Translation reserve \$	Minority interests \$	Total \$
Balance at 1 Jan 2005	12,821,124	5,541,092	19,944,854	(677,829)	4,760,704	42,389,945
Currency translation differences	-	-	-	76,191	33,998	110,189
Net profit for the period	-	-	470,717	-	98,261	568,978
Balance at 31 Mar 2005	12,821,124	5,541,092	20,415,571	(601,638)	4,892,963	43,069,112
Currency translation differences	-	-	-	138,092	63,567	201,659
Net profit for the period	-	-	479,896	-	18,048	497,944
Balance at 30 Jun 2005	12,821,124	5,541,092	20,895,467	(463,546)	4,974,578	43,768,715
Currency translation differences	-	-	-	123,417	52,773	176,190
Net profit for the period	-	-	542,786	-	724,387	1,267,173
Balance at 30 Sep 2005	12,821,124	5,541,092	21,438,253	(340,129)	5,751,738	45,212,078
Minority interest relating to disposal of a subsidiary	-	-	-	-	(616,635)	(616,635)
Currency translation differences	-	-	-	(107,673)	(22,083)	(129,756)
Net profit for the period	-	-	536,890	-	56,720	593,610
Issue of new shares	66,169	569,059	-	-	-	635,228
Balance at 31 Dec 2005	12,887,293	6,110,151	21,975,143	(447,802)	5,169,740	45,694,525
Currency translation differences	-	-	-	(54,377)	(15,803)	(70,180)
Net profit for the period	-	-	521,539	-	284,324	805,863
Transfer of share premium reserve to share capital [see Note (a)]	6,110,151	(6,110,151)	-	-	-	-
Balance at 31 Mar 2006	18,997,444	-	22,496,682	(502,179)	5,438,261	46,430,208
Currency translation differences	-	-	-	(109,929)	(52,501)	(162,430)
Net profit for the period	-	-	594,564	-	395,614	990,178
Payment of first and final dividend	-	-	(515,492)	-	-	(515,492)
Balance at 30 Jun 2006	18,997,444	-	22,575,754	(612,108)	5,781,374	46,742,464
Currency translation differences	-	-	-	(99,503)	(47,187)	(146,690)
Net profit for the period	-	-	631,666	-	161,723	793,389
Balance at 30 Sep 2006	18,997,444	-	23,207,420	(711,611)	5,895,910	47,389,163

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



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

Company	Share capital \$	Share premium \$	Revenue reserve \$	Total \$
Balance at 1 Jan 2005	12,821,124	5,541,092	15,087,091	33,449,307
Net profit for the period	-	-	745,455	745,455
Balance at 31 Mar 2005	12,821,124	5,541,092	15,832,546	34,194,762
Net profit for the period	-	-	144,232	144,232
Balance at 30 Jun 2005	12,821,124	5,541,092	15,976,778	34,338,994
Net profit for the period	-	-	81,033	81,033
Balance at 30 Sep 2005	12,821,124	5,541,092	16,057,811	34,420,027
Net profit for the period	-	-	716,913	716,913
Issue of new shares	66,169	569,059	-	635,228
Balance at 31 Dec 2005	12,887,293	6,110,151	16,774,724	35,772,168
Net 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
Net 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
Net profit for the period	-	-	469,026	469,026
Balance at 30 Sep 2006	18,997,444	-	17,698,845	36,696,289

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

	Number of shares	\$
Share capital		
Ordinary shares issued and fully paid		
Balance as at 1 Jan 2006	128,872,934	12,887,293
Transfer of share premium reserve to share capital	-	6,110,151
Balance as at 30 Sep 2006	128,872,934	18,997,444

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

As at 30 September 2006, there were 1,122,000 (31/12/2005: 1,218,000) 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 first 9 months of 2006, there were no share options exercised pursuant to the terms of the Post-IPO Scheme, and 96,000 options were cancelled due to resignation 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 nine months ended 30 September 2006 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 October 2006

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 2005.

5 **CHANGES IN ACCOUNTING POLICIES**

Not applicable.

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

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Sep</u>	<u>2005</u>	<u>9 months ended 30 Sep</u>	<u>2005</u>
	<u>2006</u>		<u>2006</u>	<u>2005</u>
EPS (based on consolidated net profit attributable to shareholders)				
- on weighted average number of ordinary shares on issue (cents)	0.49	0.42	1.36	1.16
- on a fully diluted basis (cents)	0.49	0.42	1.36	1.16

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 (30/9/2005: 128,211,238).



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

Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period adjusted to assume conversion of all potential dilutive ordinary shares of 128,872,934 (30/9/2005: 128,211,238).

7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>30 Sep 2006</u>	<u>31 Dec 2005</u>	<u>30 Sep 2006</u>	<u>31 Dec 2005</u>
Net asset value per share based on existing issued share capital as at the respective dates (cents)	36.77	35.46	28.47	27.76

Net asset value per share is computed based on the number of issued shares of 128,872,934 as at 30 September 2006 (31/12/2005: 128,872,934).

8 **REVIEW OF GROUP PERFORMANCE**

(a) **Turnover**

9 months 2006 vs 9 months 2005

	<u>Group</u>		<u>Increase</u>	
	<u>9 months ended 30 Sep</u>			
	<u>2006</u>	<u>2005</u>	<u>\$'000</u>	<u>%</u>
Fish	29,508	24,775	4,733	19.1
Accessories	18,758	17,858	900	5.0
Plastics	7,132	5,334	1,798	33.7
	<u>55,398</u>	<u>47,967</u>	<u>7,431</u>	15.5

For the 9 months ended 30 September 2006, our ornamental fish and accessories activities continued to be our core activities, which together accounted for more than 85% of our total turnover. Our turnover increased by approximately \$7.4 million or 15.5% from \$48.0 million for the 9 months ended 30 September 2005 to \$55.4 million for the 9 months ended 30 September 2006.

On a geographical basis, turnover from Singapore and overseas grew by 10% and 18% respectively for the 9 months ended 30 September 2006 compared to its corresponding period in 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 our distribution network into overseas untapped markets contributed to the increased in overseas turnover.



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

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

3Q 2006 vs 3Q 2005

	Group		Increase	
	3Q 2006 \$'000	3Q 2005 \$'000	\$'000	%
Fish	10,025	8,626	1,399	16.2
Accessories	6,262	5,564	698	12.5
Plastics	2,683	1,807	876	48.5
	18,970	15,997	2,973	18.6

Our turnover increased by approximately \$3.0 million or 18.6% from \$16.0 million in the 3rd quarter of 2005 to \$19.0 million in the 3rd quarter of 2006. All business activities registered growth in turnover during the current quarter as compared to its corresponding period in 2005.

Fish

Our Dragon Fish sales continue to dominate the growth in our ornamental fish turnover in the current quarter, coupled with our continuous effort to increase our export of ornamental fish to more customers and countries around the world from Singapore and Thailand, have given rise to the improved ornamental fish turnover in the current quarter as compared to the corresponding period in 2005. This increase is partially offset by the reduction in sales contributions from PT Qian Hu Aquarium & Pets Indonesia, which the Group has disposed of in December 2005.

Accessories

The increase in accessories turnover in the 3rd quarter of 2006 by \$0.7 million or 12.5% as compared to its corresponding period in 2005 was due to better sales contributions from our retail chain stores in Malaysia and Thailand. In addition, our Guangzhou factory managed to secure and deliver more production orders in the current quarter as compared to its corresponding period in 2005.

Plastics

Turnover from plastics activities surged \$0.9 million or 48.5% in the current quarter as comparable to its corresponding period in 2005 as we managed to focus on generating sales through selling more high value items and expanding our distribution channel and customer base.

3Q 2006 vs 2Q 2006

	Group		Increase	
	3Q 2006 \$'000	2Q 2006 \$'000	\$'000	%
Fish	10,025	9,768	257	2.6
Accessories	6,262	6,117	145	2.4
Plastics	2,683	2,404	279	11.6
	18,970	18,289	681	3.7



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

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

3Q 2006 vs 2Q 2006 (cont'd)

Our overall turnover for the 3rd quarter of 2006 was marginally higher than that of the 2nd quarter of 2006 as all our business activities recorded improvement in sales in the current quarter.

Fish

During the 3rd quarter of 2006, with the reliable source of demand for our Dragon Fish in both the domestic and overseas markets, we continue to record an increase in ornamental fish sales as comparable to that of the previous quarter.

Accessories

As the domestic market stabilizes, the marginal increase in accessories turnover in the current quarter was mainly a result of better sales contributions from our retail chain stores in Malaysia and Thailand as well as the higher turnover from our Guangzhou factory as it managed to secure and deliver more production orders in the current quarter.

Plastics

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

(b) **Profitability**

9 months 2006 vs 9 months 2005

	Group		Increase	
	9 months ended 30 Sep		(Decrease)	
	2006	2005	\$'000	%
	\$'000	\$'000		
Fish	4,253	2,661	1,592	59.8
Accessories	533	861	(328)	(38.1)
Plastics	442	324	118	36.4
Unallocated corporate expenses	(1,529)	(1,130)	(399)	35.3
	3,699	2,716	983	36.2

Our operating profit before taxation increased by approximately \$1.0 million from \$2.7 million for the 9 months ended 30 September 2005 to \$3.7 million for the 9 months ended 30 September 2006. Profit after taxation attributable to shareholders increased by 17.0% from \$1.5 million for the 9 months ended 30 September 2005 to approximately \$1.75 million for the 9 months ended 30 September 2006. Our fish business remains as the main profit contributor in the current year.



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

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

3Q 2006 vs 3Q 2005

	Group		Increase (Decrease)	
	3Q 2006	3Q 2005		
	\$'000	\$'000	\$'000	%
Fish	1,378	1,161	217	18.7
Accessories	52	415	(363)	(87.5)
Plastics	179	162	17	10.5
Unallocated corporate expenses	(595)	(327)	(268)	82.0
	1,014	1,411	(397)	(28.1)

Fish

During the 3rd quarter of 2006, our operating profit from ornamental fish did not increase proportionally with the increase in its turnover as compared to its corresponding period in 2005 due to the reduction in gross profit margin yielded for certain fish species. Our self-bred Dragon Fish continues to generate healthy profit margins during the current quarter.

Accessories

The improvement in profitability due to the better sales contributions from our retail chain stores and the operational efficiency achieved by our Guangzhou factory in the current quarter as compared to its corresponding period was offset by the lower profit margin registered as a result of our conscientious effort made to reduce our accessories inventory level.

Plastics

Operating profit from our plastics activities continued to experience slight growth in the 3rd quarter of 2006 as compared to its corresponding period in 2005 was in line with the improved in turnover.

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

3Q 2006 vs 2Q 2006

	Group		Increase (Decrease)	
	3Q 2006	2Q 2006		
	\$'000	\$'000	\$'000	%
Fish	1,378	1,525	(147)	(9.6)
Accessories	52	399	(347)	(87.0)
Plastics	179	153	26	17.0
Unallocated corporate expenses	(595)	(480)	(115)	24.0
	1,014	1,597	(583)	(36.5)



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

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

3Q 2006 vs 2Q 2006 (cont'd)

Fish

Despite registering a marginal increase in turnover, the operating profit from our ornamental fish activities decreased by \$0.1 million or 10.0% in the current quarter as compared to the previous quarter mainly due to the difference in sales mix recorded in the current quarter.

Accessories

Notwithstanding a slightly higher turnover, the reduction in operating profit registered from our accessories business by approximately \$0.3 million or 87.0% in the current quarter as compared to the previous quarter as a result of our conscientious effort made to reduce our accessories inventory level which has affected the profitability of our accessories business.

Plastics

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

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

The factors affecting our Group, which we have previously announced in the last quarter's results will continue to apply in the next quarter. In view of the expansion process, the continuous experimentation and gestation period required for our retail chain stores to be profitable, we expect our Group to remain profitable in Year 2006 despite possible fluctuations in our operating profit from quarter to quarter.

11 **DIVIDEND**

No interim dividend for the 9 months ended 30 September 2006 is recommended.



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12 **SEGMENT INFORMATION**

(a) **Business segments**

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



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

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

Group	9 months ended 30 Sep 2005				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Turnover					
External sales	24,775	17,858	5,334	-	47,967
Inter-segment sales	5,173	5,563	117	(10,853)	-
Total Sales	29,948	23,421	5,451	(10,853)	47,967
Results					
Segment results	2,778	898	327	(5)	3,998
Unallocated expenses					(896)
					3,102
Financial expenses - net					(386)
Profit before taxation					2,716
Taxation					(382)
Net profit for the period					2,334
Net profit margin	11.2%	5.0%	6.1%		4.9%
Assets and Liabilities					
Assets	37,158	25,021	3,097	-	65,276
Unallocated assets					1,850
Total Assets					67,126
Liabilities	7,609	2,678	1,053	-	11,340
Unallocated liabilities					10,574
Total Liabilities					21,914
Other Information					
Capital expenditure	2,550	475	75	-	3,100
Depreciation and amortisation	830	643	273	-	1,746
Other non-cash expenses	432	41	97	-	570

(b) **Geographical segments**

Group	Turnover		Assets		Capital expenditure	
	9 months ended 30 Sep		9 months ended 30 Sep		9 months ended 30 Sep	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore	17,701	16,023	23,948	23,333	346	198
Other asian countries	25,754	22,088	48,870	43,793	4,940	2,902
Europe	8,205	7,011	-	-	-	-
Others	3,738	2,845	-	-	-	-
Total	55,398	47,967	72,818	67,126	5,286	3,100



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13 **BREAKDOWN OF SALES**

Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
3Q 2006				
Singapore (including domestic sales & sales to Singapore)	2,008	1,670	2,527	6,205
Overseas (including export to & sales in overseas)	8,017	4,592	156	12,765
Total sales	10,025	6,262	2,683	18,970
3Q 2005				
Singapore	1,832	1,473	1,753	5,058
Overseas	6,794	4,091	54	10,939
Total sales	8,626	5,564	1,807	15,997
Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
9 months ended 30 Sep 2006				
Singapore (including domestic sales & sales to Singapore)	5,965	4,927	6,809	17,701
Overseas (including export to & sales in overseas)	23,543	13,831	323	37,697
Total sales	29,508	18,758	7,132	55,398
9 months ended 30 Sep 2005				
Singapore	5,824	4,981	5,218	16,023
Overseas	18,951	12,877	116	31,944
Total sales	24,775	17,858	5,334	47,967

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
23/10/2006