



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

UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2006

1(a) **STATEMENT OF PROFIT AND LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2006**

	Note	Group		Change %
		3 months ended 31 Mar		
		2006 \$'000	2005 \$'000	
Turnover		18,139	16,328	11.1
Cost of sales		(11,816)	(10,410)	13.5
Gross profit		6,323	5,918	6.8
Other operating income		54	23	134.8
		6,377	5,941	7.3
Selling & distribution expenses	i	(695)	(624)	11.4
General & administration expenses	i	(4,429)	(4,527)	(2.2)
Profit from operations	ii	1,253	790	58.6
Interest expenses	i	(174)	(75)	132.0
Interest income		9	-	-
		1,088	715	52.2
Share of results of associates		-	-	-
Profit before taxation		1,088	715	52.2
Taxation	iii	(282)	(146)	93.2
Profit for the period		806	569	41.7
Attributable to:				
Shareholders of the Company		522	471	10.8
Minority interests		284	98	189.8
		806	569	41.7
Gross profit margin		34.9%	36.2%	
Net profit margin		4.4%	3.5%	

Notes to Statement of Profit and Loss

- (i) The operating expenses incurred in the 1st quarter of 2006 were relatively comparable to that of its corresponding period in 2005.

Despite the lower amounts of bank borrowings outstanding as at 31 March 2006 (as compared to 31 March 2005), the increase in interest expenses was mainly due to surge in interest rates in the 1st quarter of 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	
	3 months ended 31 Mar	
	2006	2005
	\$'000	\$'000
Auditors' remuneration		
- auditors of the Company	18	18
- other auditors	3	6
Non-audit fees		
- auditors of the Company	1	5
- other auditors	-	15
Directors' fees		
- directors of the Company	10	5
Directors' remuneration		
- directors of the Company	166	163
- directors of subsidiaries	128	177
Amortisation of product listing fees	10	5
Bad trade receivables written off	1	1
Depreciation of		
- property, plant and equipment	524	544
- brooder stocks	54	37
(Gain) Loss on disposal of property, plant and equipment	(16)	6
Allowance for		
- doubtful trade receivables	-	89
- due from associates (trade)	30	20
Operating lease expenses	261	331
Personnel expenses *	2,538	2,421
Exchange gain, net	(66)	(131)

* Include directors' remuneration.

(iii) **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.



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

	Group		Company	
	31 Mar 2006	31 Dec 2005	31 Mar 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	21,994,503	27,637,492	17,265,757	22,884,875
	40,991,947	40,524,785	36,263,201	35,772,168
Minority Interests	5,438,261	5,169,740	-	-
Total Equity	46,430,208	45,694,525	36,263,201	35,772,168
Non-Current Assets				
Property, plant and equipment	12,290,800	12,665,599	3,124,568	3,199,783
Brooder stocks	10,570,849	9,961,895	1,277,063	1,284,360
Investments in subsidiaries	-	-	9,959,406	9,959,406
Investment in associate	-	-	28,722	28,722
Quoted equity investments	3,630	3,647	-	-
Intangible assets	1,904,497	1,896,283	165,427	157,213
Current Assets				
Inventories	23,307,199	20,208,130	5,813,971	5,444,297
Breeder stocks	1,721,800	1,721,800	245,800	245,800
Trade receivables	15,071,927	15,125,859	7,144,947	7,306,059
Other receivables, deposits and prepayments	2,014,467	1,799,382	407,009	334,633
Due from				
- subsidiaries (trade)	-	-	16,644,510	16,213,014
- subsidiaries (non-trade)	-	-	2,785,691	2,235,930
- associates (trade)	234,614	264,614	234,614	264,614
Fixed deposits	23,046	23,046	23,046	23,046
Cash and bank balances	3,895,682	4,750,282	2,466,157	2,852,125
	46,268,735	43,893,113	35,765,745	34,919,518
Current Liabilities				
Trade payables	5,492,337	4,465,515	3,036,410	2,304,616
Bills payable to banks	3,626,402	2,710,354	992,122	1,240,704
Other payables and accruals	3,358,319	3,510,623	2,427,073	2,501,206
Due to				
- subsidiaries (trade)	-	-	34,722	340,605
- subsidiaries (non-trade)	-	-	560,000	410,000
- minority shareholders of subsidiaries (non-trade)	1,040,488	1,252,430	-	-
Finance lease obligations	237,377	260,852	111,646	119,496
Bank term loans	6,347,769	6,360,808	6,200,000	6,200,000
Provision for taxation	1,097,598	850,689	396,451	324,827
Bank overdraft	627,941	437,586	-	-
	21,828,231	19,848,857	13,758,424	13,441,454
Net Current Assets	24,440,504	24,044,256	22,007,321	21,478,064
Non-Current Liabilities				
Finance lease obligations	(152,837)	(214,008)	(64,306)	(100,380)
Bank term loans	(875,435)	(906,307)	-	-
Deferred taxation	(1,751,800)	(1,756,840)	(235,000)	(235,000)
Net Assets	46,430,208	45,694,525	36,263,201	35,772,168



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

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Inventory turnover (days)	179	187	70	77
Trade receivables turnover (days)	75	79	61	68
Debt equity ratio	0.53	0.50	0.39	0.39

Notes to Balance Sheets

(1) The details of subsidiaries are as follows:

Name	<u>Effective equity interest held by the Group</u>		<u>Cost of investment by the Company</u>	
	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
	%	%	\$	\$
Qian Hu Tat Leng Plastic Pte Ltd (Singapore)	100	100	57,050	57,050
Qian Hu Aquarium and Pets (M) Sdn Bhd and its subsidiary: (Malaysia)	100	100	150,451	150,451
- Qian Hu The Pet Family (M) Sdn Bhd (Malaysia)	100	100	-	-
Kim Kang Aquaculture Sdn Bhd and its subsidiary: (Malaysia)	65	65	7,699,891	7,699,891
- Qian Hu The Pet Family (KK) Sdn Bhd (Malaysia)	65	65	-	-
Beijing Qian Hu Aquarium & Pets Co., Ltd (People's Republic of China)	100	100	171,824	171,824
Guangzhou Qian Hu Aquarium & Pets Accessories Manufacturing Co., Ltd (People's Republic of China)	100	100	492,859	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
			<u>9,959,406</u>	<u>9,959,406</u>

* 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) The details of associate are as follows:

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

(3) Intangible assets comprise:

	Group		Company	
	31 Mar 2006	31 Dec 2005	31 Mar 2006	31 Dec 2005
	\$	\$	\$	\$
Trademarks/customer acquisition costs	692,105	673,770	674,340	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)	-	-
	<u>1,739,070</u>	<u>1,739,070</u>	<u>-</u>	<u>-</u>
	2,594,038	2,575,703	837,203	818,787
Less accumulated amortisation	(689,541)	(679,420)	(671,776)	(661,574)
	<u>1,904,497</u>	<u>1,896,283</u>	<u>165,427</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 cost paid to third parties in relation to the entitlements to list and sell the Company's products in certain supermarkets.

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



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Notes to Balance Sheets (cont'd)

(4) Inventories comprise:

	Group		Company	
	31 Mar 2006	31 Dec 2005	31 Mar 2006	31 Dec 2005
	\$	\$	\$	\$
Fish	8,120,523	6,907,068	2,183,541	2,292,445
Accessories	15,041,918	13,103,720	3,960,749	3,482,171
Plastics products - raw materials	146,814	208,227	-	-
Plastics products - finished goods	422,053	413,224	-	-
	<u>23,731,308</u>	<u>20,632,239</u>	<u>6,144,290</u>	<u>5,774,616</u>
Less allowance for inventory obsolescence	(424,109)	(424,109)	(330,319)	(330,319)
	<u>23,307,199</u>	<u>20,208,130</u>	<u>5,813,971</u>	<u>5,444,297</u>

The increase in inventory balance was due to additional purchases of Dragon Fish made in anticipation of the its increasing demand in the following quarters, coupled with higher raw materials held in our Guangzhou factory for production orders due for delivery in the 2nd quarter of 2006. Accordingly, it has resulted in the increase in trade payables and bills payable as at 31 March 2006.

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

	Group		Company	
	31 Mar 2006	31 Dec 2005	31 Mar 2006	31 Dec 2005
	\$	\$	\$	\$
Due within 1 year:				
- Short-term loans (unsecured)	6,200,000	6,200,000	6,200,000	6,200,000
- Long-term loans, current portion (secured)	147,769	160,808	-	-
	<u>6,347,769</u>	<u>6,360,808</u>	<u>6,200,000</u>	<u>6,200,000</u>
Due after 1 year:				
- Long-term loans (secured)	875,435	906,307	-	-
	<u>7,223,204</u>	<u>7,267,115</u>	<u>6,200,000</u>	<u>6,200,000</u>

The unsecured short-term loans are revolving bank loans which bear interest at rates ranging from 5.15% to 5.50% (31/12/2005: 3.81% to 5.31%) per annum.

The secured long-term loans comprise:

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

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

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



QIAN HU CORPORATION LIMITED
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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2006**

	Group	
	3 months ended 31 Mar	
	2006	2005
	\$	\$
Cash flows from operating activities		
Profit before taxation and minority interests	1,087,813	714,728
Adjustments for:		
Bad trade receivables written off	1,062	518
Depreciation of		
- property, plant and equipment	524,240	544,004
- brooder stocks	53,581	36,851
(Gain) Loss on disposal of property, plant and equipment	(15,800)	6,241
Amortisation of product listing fees	10,202	5,159
Allowance for		
- doubtful trade receivables	-	88,889
- due from associates (trade)	30,000	20,000
Interest expense	173,933	75,114
Interest income	(9,413)	-
Net effect of exchange differences	5,781	(1,009)
Operating profit before working capital changes	1,861,399	1,490,495
(Increase) decrease in:		
Inventories	(2,991,850)	(1,724,153)
Trade receivables	(69,240)	(394,745)
Other receivables, deposits and prepayments	(217,539)	(496,363)
Due from associates (trade)	-	133,978
Increase (decrease) in:		
Trade payables	1,028,611	1,905,357
Bills payable to banks	922,698	(193,904)
Other payables and accruals	(152,399)	(144,813)
Cash generated from operations	381,680	575,852
Payment of income tax	(33,797)	(130,769)
Interest paid	(174,008)	(101,685)
Net cash generated from operating activities	173,875	343,398
Cash flows from investing activities		
Purchase of		
- property, plant and equipment	(218,193)	(277,382)
- brooder stocks	(701,800)	-
Proceeds from disposal of property, plant and equipment	60,127	131
Payment for		
- trademarks/customer acquisition costs	(18,416)	(10,333)
- product listing fees	-	(11,060)
Net cash used in investing activities	(878,282)	(298,644)



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1(c) **STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2006 (cont'd)**

	Group	
	3 months ended 31 Mar	
	2006	2005
	\$	\$
Cash flows from financing activities		
Drawdown of		
- bank term loans	-	405,000
- loans from minority shareholders of subsidiaries	-	113,788
Repayment of		
- finance lease obligations	(104,605)	(99,466)
- bank term loans	(39,082)	(44,314)
- loans from minority shareholders of subsidiaries	(206,274)	(356,832)
Interest received	9,413	-
Net cash (used in) generated from financing activities	(340,548)	18,176
Net (decrease) increase in cash and cash equivalents	(1,044,955)	62,930
Cash and cash equivalents at beginning of period	4,335,742	4,152,958
Cash and cash equivalents at end of period (Note i)	3,290,787	4,215,888

Notes to Statement of Cash Flows

- (i) Cash and cash equivalents comprise:

	Group	
	31 Mar 2006	31 Mar 2005
	\$	\$
Fixed deposits	23,046	53,102
Cash and bank balances	3,895,682	4,361,994
Bank overdraft	(627,941)	(199,208)
	3,290,787	4,215,888

- (ii) The Group's **net cash generated from operating activities** decreased on a quarter-on-quarter basis mainly due to redeployment of funds into inventory purchases made in anticipation of the continuous increase in demand of Dragon Fish in the following quarters and for raw materials held in our Guangzhou factory for production orders due for delivery in the 2nd quarter of 2006. In addition, the amount of interest paid was higher in the 1st quarter of 2006 as compared to its corresponding period in 2005.

Net cash used in investing activities mainly relate 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 financial institutions and minority shareholders of a subsidiary and the settlement of finance lease obligations on a monthly basis.



QIAN HU CORPORATION LIMITED
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1(d)(i) **STATEMENT 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

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 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 \$	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	<u>18,997,444</u>	<u>-</u>	<u>17,265,757</u>	<u>36,263,201</u>

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 2006	128,872,934	12,887,293
Transfer of share premium reserve to share capital	-	6,110,151
Balance as at 31 Mar 2006	<u>128,872,934</u>	<u>18,997,444</u>

In accordance with the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concepts of par value and authorized 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.

As at 31 March 2006, there were 1,178,000 (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 1st quarter of 2006, there were no share options exercised pursuant to the terms of the Post-IPO Scheme, and 40,000 options were cancelled due to resignation of employees.

2 **AUDIT**

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



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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)**

	Group	
	3 months ended 31 Mar	
	2006	2005
EPS (based on consolidated net profit attributable to shareholders)		
- on weighted average number of ordinary shares on issue	0.40 cents	0.37 cents
- on a fully diluted basis	0.40 cents	0.37 cents

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 128,872,934 (31/3/2005: 128,211,238).

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 (31/3/2005: 128,211,238).

7 **NET ASSET VALUE PER SHARE**

	Group		Company	
	31 Mar 2006	31 Dec 2005	31 Mar 2006	31 Dec 2005
Net asset value per share based on existing issued share capital as at the respective dates	36.03 cents	35.46 cents	28.14 cents	27.76 cents

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



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8 **REVIEW OF GROUP PERFORMANCE**

(a) **Turnover**

1Q 2006 vs 1Q 2005

	Group		Increase	
	1Q 2006	1Q 2005	(Decrease)	
	\$'000	\$'000	\$'000	%
Fish	9,715	8,342	1,373	16.5
Accessories	6,379	6,225	154	2.5
Plastics	2,045	1,761	284	16.1
	18,139	16,328	1,811	11.1

Our turnover increased by approximately \$1.8 million or 11.1% from \$16.3 million in the 1st quarter of 2005 to \$18.1 million in the 1st quarter of 2006. All business activities registered growth in turnover during the current quarter as compared to its corresponding period in 2005.

On a geographical basis, turnover from Singapore dipped slightly by 6.1% mainly as a result of decrease in sales of ornamental fish and aquarium accessories to local retailers due to lower demand coupled with keen competition. Turnover from overseas grew by 20.8% this quarter as compared to its corresponding period in 2005. Both the Singapore and overseas operations' constant effort in expanding our distribution network into overseas untapped markets contributed to the increased in overseas turnover.

Fish

Our Dragon Fish sales continue to dominate the growth in our ornamental fish turnover in the current quarter, coupled with our continuous effort to increase our export of ornamental fish to more customers and countries around the world from Singapore and Thailand, has given rise to the improved ornamental fish turnover in the current quarter as compared to the corresponding period in 2005. However, 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 marginal increase in accessories turnover in the 1st quarter of 2006 by \$0.2 million or 2.5% as compared to its corresponding period in 2005 was due to sales contributions from our retail chain stores. In addition, with the operational efficiency of our Guangzhou factory restored, more production orders were received and delivered in the 1st quarter of 2006 as compared to its corresponding period in 2005.

Plastics

Our plastics turnover recorded stable growth in the 1st quarter of 2006 as we managed to focus on generating sales through selling more high value items and expanding our distribution channel.



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

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

1Q 2006 vs 4Q 2005

	Group		Increase	
	1Q	4Q	(Decrease)	
	2006	2005	\$'000	%
	\$'000	\$'000		
Fish	9,715	8,686	1,029	11.8
Accessories	6,379	7,777	(1,398)	(18.0)
Plastics	2,045	1,837	208	11.3
	18,139	18,300	(161)	(0.9)

Although the sales from our ornamental fish and plastic activities increased aggregate by approximately \$1.2 million in the 1st quarter of 2006, the decrease in accessories turnover by \$1.4 million has led to a marginal decrease of \$0.2 million in our overall turnover as compared to that of the previous quarter.

Fish

Our ornamental fish export sales from Singapore and Thailand has recorded higher turnover 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 turnover in the 1st quarter of 2006 as compare to the previous quarter.

Accessories

The reduction in accessories turnover recorded in the 1st quarter of 2006 by \$1.4 million or 18.0% as compared to 4th quarter of 2005 was due to more orders from our Guangzhou factory being delivered towards the end of last year, thus resulting in a surge in turnover recorded in the previous quarter. In addition, the week-long Chinese New Year holidays which most of the entities in the Group (both local and overseas) were closed for business for 4 to 7 days has affected the manufacturing and sales of accessories during the current quarter.

Plastics

Our plastics business is experiencing steady growth in the current quarter as comparable to that of the previous quarter.



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

(b) **Profitability**

1Q 2006 vs 1Q 2005

	<u>Group</u>		<u>Increase</u>	
	<u>1Q</u>	<u>1Q</u>	<u>(Decrease)</u>	
	<u>2006</u>	<u>2005</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	1,350	1,015	335	33.0
Accessories	82	48	34	70.8
Plastics	110	72	38	52.8
Unallocated corporate expenses	(454)	(420)	(34)	8.1
	<u>1,088</u>	<u>715</u>	<u>373</u>	<u>52.2</u>

Our overall operating profit in the 1st quarter of 2006 was approximately \$0.4 million or 52.2% higher than that of its corresponding period in 2005 with contribution mainly from the ornamental fish business.

Fish

Our operating profit from the ornamental fish activities increased by \$0.3 million or 33.0% from \$1.0 million to \$1.3 million in the 1st quarter of 2006 as compared to its corresponding period in 2005 was in line with the higher sales recorded and better margins yielded from the sales of our self-bred Dragon Fish.

Accessories

The improvement in profitability from our accessories business was mainly due to the operational efficiency achieved by our Guangzhou factory in the 1st quarter of 2006 as compared to the corresponding period in 2005.

Plastics

With increase in turnover and profit margins from our plastics activities in the 1st quarter of 2006, its operating profit continued to experience growth as compared to its corresponding period in 2005.

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 2006 vs 4Q 2005

	<u>Group</u>		<u>Increase</u>	
	<u>1Q</u>	<u>4Q</u>	<u>(Decrease)</u>	
	<u>2006</u>	<u>2005</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	1,350	1,772	(422)	(23.8)
Accessories	82	(289)	371	128.4
Plastics	110	106	4	3.8
Unallocated corporate expenses	(454)	(217)	(237)	109.2
	<u>1,088</u>	<u>1,372</u>	<u>(284)</u>	<u>(20.7)</u>

Fish

During the 1st quarter of 2006, our operating profit from ornamental fish dipped by 23.8% notwithstanding the increase in turnover due to the reduction in gross profit margin yielded for certain fish species as compared to previous quarter. Our self-bred Dragon Fish sales continue to generate healthy profit margins during the current quarter.

Accessories

Despite the reduction in accessories turnover, the profitability from our accessories business has improved due to the operational efficiency achieved by our Guangzhou factory in the current quarter. The losses incurred 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.

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



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10 **PROSPECTS (cont'd)**

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

11 **DIVIDEND**

No interim dividend for the quarter ended 31 March 2006 is recommended.

12 **SEGMENT INFORMATION**

(a) **Business segments**

Group	3 months ended 31 Mar 2006				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Turnover					
External sales	9,715	6,379	2,045	-	18,139
Inter-segment sales	1,846	2,130	35	(4,011)	-
Total Sales	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)
Net 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 (income)	(9)	31	(7)	-	15



QIAN HU CORPORATION LIMITED
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12 **SEGMENT INFORMATION (cont'd)**

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

Group	3 months ended 31 Mar 2005				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Turnover					
External sales	8,342	6,225	1,761	-	16,328
Inter-segment sales	2,077	1,470	37	(3,584)	-
Total Sales	10,419	7,695	1,798	(3,584)	16,328
Results					
Segment results	1,018	48	73	15	1,154
Unallocated expenses					(364)
					790
Financial expenses - net					(75)
Profit before taxation					715
Taxation					(146)
Net profit for the period					569
Net profit margin	12.2%	0.8%	4.1%		3.5%
Assets and Liabilities					
Assets	35,523	26,737	3,561	-	65,821
Unallocated assets					1,536
Total Assets					67,357
Liabilities	7,571	3,239	1,171	-	11,981
Unallocated liabilities					12,307
Total Liabilities					24,288
Other Information					
Capital expenditure	224	128	3	-	355
Depreciation and amortisation	306	186	94	-	586
Other non-cash expenses	41	39	36	-	116



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

(b) **Geographical segments**

Group	Turnover		Assets		Capital expenditure	
	3 months ended 31 Mar		3 months ended 31 Mar		3 months ended 31 Mar	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	5,559	5,916	23,914	24,483	127	60
Other asian countries	8,543	7,779	47,125	42,874	813	295
Europe	2,683	1,772	-	-	-	-
Others	1,354	861	-	-	-	-
Total	18,139	16,328	71,039	67,357	940	355

13 **BREAKDOWN OF SALES**

Turnover (Group)	Fish	Accessories	Plastics	Total
	\$'000	\$'000	\$'000	\$'000
3 months ended 31 Mar 2006				
Singapore (including domestic sales & sales to Singapore)	2,059	1,512	1,988	5,559
Overseas (including export to & sales in overseas)	7,656	4,867	57	12,580
Total sales	9,715	6,379	2,045	18,139
3 months ended 31 Mar 2005				
Singapore	2,310	1,851	1,755	5,916
Overseas	6,032	4,374	6	10,412
Total sales	8,342	6,225	1,761	16,328

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
24/04/2006