



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

HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT

1(a) **STATEMENT OF PROFIT AND LOSS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2006**

	Note	Group			Group		
		3 months ended 30 Jun		Change %	6 months ended 30 Jun		Change %
		2006 \$'000	2005 \$'000		2006 \$'000	2005 \$'000	
Turnover		18,289	15,642	16.9	36,428	31,970	13.9
Cost of sales		(11,402)	(9,846)	15.8	(23,218)	(20,256)	14.6
Gross profit		6,887	5,796	18.8	13,210	11,714	12.8
Other operating income		69	46	50.0	123	69	78.3
		6,956	5,842	19.1	13,333	11,783	13.2
Selling & distribution expenses	i	(611)	(708)	(13.7)	(1,306)	(1,332)	(2.0)
General & administration expenses	i	(4,573)	(4,381)	4.4	(9,002)	(8,908)	1.1
Profit from operations	ii	1,772	753	135.3	3,025	1,543	96.0
Interest expenses	i	(177)	(168)	5.4	(351)	(243)	44.4
Interest income		2	5	(60.0)	11	5	120.0
		1,597	590	170.7	2,685	1,305	105.7
Share of associates results		-	-	-	-	-	-
Profit before taxation		1,597	590	170.7	2,685	1,305	105.7
Taxation	iii	(607)	(92)	559.8	(889)	(238)	273.5
Profit for the period		990	498	98.8	1,796	1,067	68.3
Attributable to:							
Shareholders of the Company		594	480	23.8	1,116	951	17.4
Minority interests		396	18	NM	680	116	486.2
		990	498	98.8	1,796	1,067	68.3
Gross profit margin		37.7%	37.1%		36.3%	36.6%	
Net profit margin		5.4%	3.2%		4.9%	3.3%	

NM: Not Meaningful

Notes to Statement of Profit and Loss

- (i) The operating expenses incurred in the 2nd quarter and the 1st half of 2006 were relatively comparable to that of its corresponding period in 2005.

Despite the lower amounts of bank borrowings outstanding as at 30 June 2006 (as compared to 30 June 2005), the increase in interest expenses was mainly due to surge in interest rates in the 1st half 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:

	<u>Group</u>		<u>Group</u>	
	<u>3 months ended 30 Jun</u>	<u>2005</u>	<u>6 months ended 30 Jun</u>	<u>2005</u>
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration				
- auditors of the Company	18	18	36	36
- other auditors	3	3	6	9
Non-audit fees				
- auditors of the Company	4	-	5	5
- other auditors	-	-	-	15
Directors' fees				
- directors of the Company	8	10	18	15
Directors' remuneration				
- directors of the Company	166	164	332	327
- directors of subsidiaries	127	157	255	334
Amortisation of product listing fees	10	8	20	13
Bad trade receivables written off	10	13	11	13
Depreciation of				
- property, plant and equipment	496	549	1,020	1,093
- brooder stocks	60	38	114	75
(Gain) Loss on disposal of property, plant and equipment	(9)	(5)	(25)	1
Allowance for				
- doubtful trade receivables	37	123	37	212
- due from associates (trade)	30	155	60	175
Operating lease expenses	365	276	626	607
Personnel expenses *	2,511	2,261	5,049	4,682
Exchange gain, net	(45)	(48)	(111)	(179)

* 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 6 months ended 30 June 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 Jun 2006	31 Dec 2005	30 Jun 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	21,963,646	27,637,492	17,229,819	22,884,875
	40,961,090	40,524,785	36,227,263	35,772,168
Minority Interests	5,781,374	5,169,740	-	-
Total Equity	46,742,464	45,694,525	36,227,263	35,772,168
Non-Current Assets				
Property, plant and equipment	11,998,606	12,665,599	2,992,026	3,199,783
Brooder stocks	12,166,632	9,961,895	1,269,765	1,284,360
Investments in subsidiaries	-	-	9,959,406	9,959,406
Investment in associate	-	-	28,722	28,722
Quoted equity investments	3,589	3,647	-	-
Intangible assets	1,900,564	1,896,283	161,494	157,213
Current Assets				
Inventories	23,216,237	20,208,130	5,697,393	5,444,297
Breeder stocks	1,721,800	1,721,800	245,800	245,800
Trade receivables	14,677,443	15,125,859	6,291,555	7,306,059
Other receivables, deposits and prepayments	1,981,272	1,799,382	424,711	334,633
Due from				
- subsidiaries (trade)	-	-	17,168,563	16,213,014
- subsidiaries (non-trade)	-	-	2,740,185	2,235,930
- associates (trade)	197,076	264,614	197,076	264,614
Fixed deposits	23,706	23,046	23,706	23,046
Cash and bank balances	5,233,476	4,750,282	3,043,840	2,852,125
	47,051,010	43,893,113	35,832,829	34,919,518
Current Liabilities				
Trade payables	7,119,276	4,465,515	3,174,138	2,304,616
Bills payable to banks	3,357,146	2,710,354	734,966	1,240,704
Other payables and accruals	3,425,876	3,510,623	2,367,408	2,501,206
Due to				
- subsidiaries (trade)	-	-	50,412	340,605
- subsidiaries (non-trade)	-	-	460,000	410,000
- minority shareholders of subsidiaries (non-trade)	956,889	1,252,430	-	-
Finance lease obligations	222,058	260,852	104,744	119,496
Bank term loans	6,646,090	6,360,808	6,500,000	6,200,000
Provision for taxation	1,535,546	850,689	347,591	324,827
Bank overdraft	399,097	437,586	-	-
	23,661,978	19,848,857	13,739,259	13,441,454
Net Current Assets	23,389,032	24,044,256	22,093,570	21,478,064
Non-Current Liabilities				
Finance lease obligations	(149,645)	(214,008)	(42,720)	(100,380)
Bank term loans	(827,114)	(906,307)	-	-
Deferred taxation	(1,739,200)	(1,756,840)	(235,000)	(235,000)
Net Assets	46,742,464	45,694,525	36,227,263	35,772,168



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

	Group		Company	
	30 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005
Inventory turnover (days)	183	187	75	77
Trade receivables turnover (days)	74	79	62	68
Debt equity ratio	0.56	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 Jun 2006	31 Dec 2005	30 Jun 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	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
			9,959,406	9,959,406

* 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	Equity interest held by the Company		Cost of investment by the Company	
	30 Jun 2006	31 Dec 2005	30 Jun 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)
			-	-

(3) Intangible assets comprise:

	Group		Company	
	30 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005
	\$	\$	\$	\$
Trademarks/customer acquisition costs	698,374	673,770	680,609	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	-	-
	2,600,307	2,575,703	843,472	818,787
Less accumulated amortisation	(699,743)	(679,420)	(681,978)	(661,574)
	1,900,564	1,896,283	161,494	157,213

Trademarks/customer acquisition costs relate to costs paid to third parties in relation to the acquisition of trademarks rights and existing customer base of two brands of pet food, namely "ARISTO-CATS YI HU" and "Nature's Gift".

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 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005
	\$	\$	\$	\$
Fish	8,183,990	6,907,068	2,238,792	2,292,445
Accessories	14,556,191	13,103,720	3,788,920	3,482,171
Plastics products - raw materials	437,760	208,227	-	-
Plastics products - finished goods	462,405	413,224	-	-
	<u>23,640,346</u>	<u>20,632,239</u>	<u>6,027,712</u>	<u>5,774,616</u>
Less allowance for inventory obsolescence	(424,109)	(424,109)	(330,319)	(330,319)
	<u>23,216,237</u>	<u>20,208,130</u>	<u>5,697,393</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 half of 2006. Accordingly, it has resulted in the increase in trade payables and bills payable as at 30 June 2006.

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

	Group		Company	
	30 Jun 2006	31 Dec 2005	30 Jun 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)	146,090	160,808	-	-
	<u>6,646,090</u>	<u>6,360,808</u>	<u>6,500,000</u>	<u>6,200,000</u>
Due after 1 year:				
- Long-term loans (secured)	827,114	906,307	-	-
	<u>7,473,204</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 5.17% to 5.46% (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 8.25% (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 8.5% (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 30 June 2006, there were corporate guarantees given by the Company to banks for banking facilities extended to subsidiaries amounting to \$6.6 million (31/12/2005: \$5.1 million).



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1(c) **STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Group		Group	
	3 months ended 30 Jun	2005	6 months ended 30 Jun	2005
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash flows from operating activities				
Profit before taxation and minority interests	1,597,082	590,078	2,684,895	1,304,806
Adjustments for:				
Bad trade receivables written off	9,511	12,798	10,573	13,316
Depreciation of				
- property, plant and equipment	495,586	549,134	1,019,826	1,093,138
- brooder stocks	60,300	37,801	113,881	74,652
(Gain) Loss on disposal of property, plant and equipment	(9,321)	(4,930)	(25,121)	1,311
Amortisation of product listing fees	10,202	7,978	20,404	13,137
Allowance for				
- doubtful trade receivables	37,408	122,750	37,408	211,639
- due from associates (trade)	30,000	155,493	60,000	175,493
Interest expense	176,853	167,987	350,786	243,101
Interest income	(1,958)	(5,003)	(11,371)	(5,003)
Net effect of exchange differences	(6,733)	22,253	(952)	(15,222)
Operating profit before working capital changes	2,398,930	1,656,339	4,260,329	3,110,368
(Increase) decrease in:				
Inventories	119,967	37,801	(2,871,883)	(1,686,352)
Trade receivables	288,087	508,397	218,847	113,652
Other receivables, deposits and prepayments	19,860	94,919	(197,679)	(364,978)
Due from associates (trade)	7,538	(21,639)	7,538	112,339
Increase (decrease) in:				
Trade payables	1,638,665	(1,094,379)	2,667,276	810,978
Bills payable to banks	(252,631)	50,931	670,067	(142,973)
Other payables and accruals	76,524	387,075	(75,875)	242,262
Cash generated from operations	4,296,940	1,619,444	4,678,620	2,195,296
Payment of income tax	(164,262)	(178,291)	(198,059)	(309,060)
Interest paid	(178,266)	(136,589)	(352,274)	(238,274)
Net cash generated from operating activities	3,954,412	1,304,564	4,128,287	1,647,962
Cash flows from investing activities				
Purchase of				
- property, plant and equipment	(263,818)	(465,770)	(482,011)	(743,152)
- brooder stocks	(1,754,245)	-	(2,456,045)	-
Proceeds from disposal of property, plant and equipment	30,673	37,375	90,800	37,506
Payment for				
- trademarks/customer acquisition costs	(6,269)	(3,962)	(24,685)	(14,295)
- product listing fees	-	(22,228)	-	(33,341)
Net cash used in investing activities	(1,993,659)	(454,585)	(2,871,941)	(753,282)



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

	Group		Group	
	3 months ended 30 Jun	2005	6 months ended 30 Jun	2005
	\$	\$	\$	\$
Cash flows from financing activities				
Drawdown of				
- bank term loans	300,000	-	300,000	405,000
- loans from minority shareholders of subsidiaries	-	64,052	-	177,840
Repayment of				
- finance lease obligations	(72,560)	(89,099)	(177,165)	(188,565)
- bank term loans	(37,929)	(942,697)	(77,011)	(987,011)
- loans from minority shareholders of subsidiaries	(69,432)	(317,417)	(275,706)	(674,249)
Payment of dividends to shareholders	(515,492)	-	(515,492)	-
Interest received	1,958	5,003	11,371	5,003
Net cash used in financing activities	(393,455)	(1,280,158)	(734,003)	(1,261,982)
Net increase (decrease) in cash and cash equivalents	1,567,298	(430,232)	522,343	(367,302)
Cash and cash equivalents at beginning of period	3,290,787	4,215,888	4,335,742	4,152,958
Cash and cash equivalents at end of period (Note i)	4,858,085	3,785,656	4,858,085	3,785,656

Notes to Statement of Cash Flows

(i) Cash and cash equivalents comprise:

	Group	
	30 Jun 2006	30 Jun 2005
	\$	\$
Fixed deposits	23,706	52,387
Cash and bank balances	5,233,476	4,144,446
Bank overdraft	(399,097)	(411,177)
	4,858,085	3,785,656

(ii) The significant improvement in the Group's **net cash generated from operating activities** on a quarter-on-quarter basis as well as during the 1st half of 2006 was due to higher operating profit generated for the 6 months ended 30 June 2006 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 during the 1st half of 2006 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 for the 6 months ended 30 June 2006 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) **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
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

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) **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	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

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 Jun 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 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 30 June 2006, there were 1,158,000 (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 half of 2006, there were no share options exercised pursuant to the terms of the Post-IPO Scheme, and 60,000 options were cancelled due to resignation of employees.



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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 Jun</u>	<u>3 months ended 30 Jun</u>	<u>6 months ended 30 Jun</u>	<u>6 months ended 30 Jun</u>
	<u>2006</u>	<u>2005</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	0.47 cents	0.37 cents	0.87 cents	0.74 cents
- on a fully diluted basis	0.47 cents	0.37 cents	0.87 cents	0.74 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 (30/6/2005: 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 (30/6/2005: 128,211,238).

7 **NET ASSET VALUE PER SHARE**

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2006</u>	<u>31 Dec 2005</u>	<u>30 Jun 2006</u>	<u>31 Dec 2005</u>
Net asset value per share based on existing issued share capital as at the respective dates	<u>36.27 cents</u>	<u>35.46 cents</u>	<u>28.11 cents</u>	<u>27.76 cents</u>

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



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8 **REVIEW OF GROUP PERFORMANCE**

(a) **Turnover**

6 months 2006 vs 6 months 2005

	Group		Increase	
	6 months ended 30 Jun			
	2006	2005	\$'000	%
Fish	19,483	16,149	3,334	20.6
Accessories	12,496	12,294	202	1.6
Plastics	4,449	3,527	922	26.1
	36,428	31,970	4,458	13.9

For the 6 months ended 30 June 2006, the ornamental fish and accessories activities continued to be our core activities, which together accounted for almost 88% of total turnover. Our turnover increased by approximately \$4.4 million or 13.9% from \$32.0 million for the 6 months ended 30 June 2005 to \$36.4 million for the 6 months ended 30 June 2006.

On a geographical basis, turnover from Singapore and overseas grew by 5% and 19% respectively for the 6 months ended 30 June 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.

2Q 2006 vs 2Q 2005

	Group		Increase	
	2Q			
	2006	2005	\$'000	%
Fish	9,768	7,807	1,961	25.1
Accessories	6,117	6,069	48	0.8
Plastics	2,404	1,766	638	36.1
	18,289	15,642	2,647	16.9

Our turnover increased by approximately \$2.6 million or 16.9% from \$15.7 million in the 2nd quarter of 2005 to \$18.3 million in the 2nd 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, Thailand and Malaysia, 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.



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

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

2Q 2006 vs 2Q 2005 (cont'd)

Accessories

The marginal increase in accessories turnover in the 2nd quarter of 2006 as compared to its corresponding period in 2005 was due to sales contributions from our retail chain stores.

Plastics

Turnover from plastics activities saw an escalation of \$0.6 million or 36.1% in the current quarter as compared to its corresponding period in 2005 as we managed to focus on generating sales through selling more high value items and expanding our distribution channel and customer base.

2Q 2006 vs 1Q 2006

	<u>Group</u>		<u>Increase</u>	
	<u>2Q</u>	<u>1Q</u>	<u>(Decrease)</u>	
	<u>2006</u>	<u>2006</u>	<u>\$'000</u>	<u>%</u>
	<u>\$'000</u>	<u>\$'000</u>		
Fish	9,768	9,715	53	0.5
Accessories	6,117	6,379	(262)	(4.1)
Plastics	2,404	2,045	359	17.6
	<u>18,289</u>	<u>18,139</u>	<u>150</u>	<u>0.8</u>

Our overall turnover for the 2nd quarter of 2006 was marginally higher than that of the 1st quarter mainly due to increase in plastics turnover registered in the current quarter.

Fish

During the 2nd quarter of 2006, with the reliable source of demand for our Dragon Fish in both domestic and overseas markets, we managed to record consistent amount of ornamental fish sales as comparable to that of the previous quarter.

Accessories

As the domestic market stabilizes, the marginal reduction in accessories turnover in the current quarter by \$0.3 million or 4.1% as compared to the previous quarter was mainly a result of the lower sales of accessories products in the Malaysia market due to market competitiveness.

Plastics

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



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

(b) **Profitability**

6 months 2006 vs 6 months 2005

	Group			
	6 months ended 30 Jun		Increase	
	2006	2005		
	\$'000	\$'000	\$'000	%
Fish	2,875	1,500	1,375	91.7
Accessories	481	446	35	7.8
Plastics	263	162	101	62.3
Unallocated corporate expenses	(934)	(803)	(131)	16.3
	2,685	1,305	1,380	105.7

Our operating profit before taxation doubled from \$1.3 million for the half year ended 30 June 2005 to approximately \$2.7 million for the half year ended 30 June 2006. Accordingly, profit after taxation attributable to shareholders increased by 17.4% from approximately \$1.0 million for the 6 months ended 30 June 2005 to \$1.1 million for the 6 months ended 30 June 2006. Our fish business was the main profit contributor in the 1st half of 2006.

2Q 2006 vs 2Q 2005

	Group			
	2Q	2Q	Increase	
	2006	2005		
	\$'000	\$'000	\$'000	%
Fish	1,525	485	1,040	214.4
Accessories	399	398	1	0.3
Plastics	153	90	63	70.0
Unallocated corporate expenses	(480)	(383)	(97)	25.3
	1,597	590	1,007	170.7

Operating profit for the 2nd quarter of 2006 surged \$1.0 million or 170.7% as compared to its corresponding period in 2005 with contribution mainly from the ornamental fish business.

Fish

Operating profit from our ornamental fish business the increased by \$1.0 million from \$0.5 million in the 2nd quarter of 2005 to \$1.5 million in the 2nd quarter of 2006. This was in line with the higher sales recorded and better margins yielded from the sales of our self-bred Dragon Fish.

Accessories

As the accessories demand from both the domestic and overseas markets stabilizes, operating profit from our accessories business, as with its turnover, has remained relatively stable for both periods.



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

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

2Q 2006 vs 2Q 2005 (cont'd)

Plastics

With the continued increase in turnover and profit margins from our plastics activities into the 2nd quarter of 2006, its operating profit has registered a 70% growth as compared to its corresponding period in 2005.

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.

2Q 2006 vs 1Q 2006

	Group		Increase	
	2Q 2006 \$'000	1Q 2006 \$'000	\$'000	%
Fish	1,525	1,350	175	13.0
Accessories	399	82	317	386.6
Plastics	153	110	43	39.1
Unallocated corporate expenses	(480)	(454)	(26)	5.7
	<u>1,597</u>	<u>1,088</u>	<u>509</u>	46.8

The better performance from all our business activities in the current quarter has resulted in an overall increase in operating profit achieved by \$0.5 million or 46.8% as compared to the previous quarter in 2006.

Fish

Despite registering flat growth in turnover, the operating profit from our ornamental fish activities increased by \$0.2 million or 13.0% in the current quarter as compared to the previous quarter due to better margins yielded from the sales of our own-bred Dragon Fish. The increase, however, was partially offset by the lower profit recorded by our Malaysia fish division due to the difference in sales mix recorded in the current quarter.

Accessories

Despite registering a slightly lower turnover, the increase in profitability from our accessories business by approximately \$0.3 million was mainly due to the operational efficiency achieved by our Guangzhou factory during the current quarter. In addition, the improvement in contributions from our retail chain stores has resulted in higher profits registered in the current quarter.

Plastics

Operating profit from our plastics activities is experiencing steady growth in the 2nd quarter of 2006 as compared to the previous quarter which is in line with its improved turnover.



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9 **VARIANCE FROM PROSPECT STATEMENT**

There is no variance from the previous prospect statement.

10 **PROSPECTS**

Our Group's future growth depends on:

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

Increase in our export of ornamental fish and aquarium accessories

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

Like our ornamental fish business, we are also increasing the export of our "OCEAN FREE" brand (one of the major aquarium accessories brand in Singapore) of aquarium accessories products to more countries in the world. Currently, we export these aquarium accessories products to Philippines, Brunei, Australia, New Zealand, Japan, Turkey, Germany, the Netherlands, etc.

Continuous growth of our breeding and sales of Dragon Fish

China is a huge market for dragon fish, so is Taiwan and Japan. Based on the improved sales recorded in FY 2005 and into the first half of 2006, we envisage that our dragon fish sales will continue to increase in the coming years. Our collaboration with Temasek Life Sciences Laboratory in researching the breeding behaviour of Dragon Fish has enabled us to increase the production of Dragon Fish in our farms, and hence, enhance our Group's ability to meet the future growth in demand of Dragon Fish.

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

In a process of professionalizing a highly fragmented ornamental fish and aquarium & pets accessories retail market, we have set up 12 "*Qian Hu – The Pet Family*" retail chain stores throughout the region as at 30 June 2006, which provide better services, a wider product range in a visually-stimulating shopping environment, and thereby offering hobbyists and customers a different and more enjoyable shopping experience. We will continue to set up more of these retail chain stores in the future, especially in Malaysia.

In addition, we are enhancing our presence in China by increasing our distribution points in the country for our Dragon Fish and accessories products. Currently, we have approximately 60 distribution agents in China. The number of distribution points will continue to increase in the second half of 2006.



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10 **PROSPECTS (cont'd)**

Enhance efficiency and ability in manufacturing accessories products

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

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 will continue to be profitable in the second half of 2006, despite possible fluctuations in our operating profit from quarter to quarter.

11 **DIVIDEND**

No interim dividend for the half year ended 30 June 2006 is recommended.



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12 **SEGMENT INFORMATION**

(a) **Business segments**

Group	6 months ended 30 Jun 2006				
	Fish	Accessories	Plastics	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover					
External sales	19,483	12,496	4,449	-	36,428
Inter-segment sales	4,168	3,678	75	(7,921)	-
Total Sales	23,651	16,174	4,524	(7,921)	36,428
Results					
Segment results	3,002	509	265	(132)	3,644
Unallocated expenses					(619)
					3,025
Financial expenses - net					(340)
Profit before taxation					2,685
Taxation					(889)
Net profit for the period					1,796
Net profit margin	15.4%	4.1%	6.0%		4.9%
Assets and Liabilities					
Assets	41,643	26,644	3,639	-	71,926
Unallocated assets					1,194
Total Assets					73,120
Liabilities	9,980	3,362	1,646	-	14,988
Unallocated liabilities					11,390
Total Liabilities					26,378
Other Information					
Capital expenditure	2,745	137	132	-	3,014
Depreciation and amortisation	609	419	126	-	1,154
Other non-cash expenses (income)	32	61	(10)	-	83



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

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

Group	6 months ended 30 Jun 2005				
	Fish \$'000	Accessories \$'000	Plastics \$'000	Eliminations \$'000	Total \$'000
Turnover					
External sales	16,149	12,294	3,527	-	31,970
Inter-segment sales	3,780	3,126	85	(6,991)	-
Total Sales	19,929	15,420	3,612	(6,991)	31,970
Results					
Segment results	1,560	466	164	(29)	2,161
Unallocated expenses					(618)
					1,543
Financial expenses - net					(238)
Profit before taxation					1,305
Taxation					(238)
Net profit for the period					1,067
Net profit margin	9.7%	3.8%	4.6%		3.3%
Assets and Liabilities					
Assets	35,182	26,243	3,039	-	64,464
Unallocated assets					1,867
Total Assets					66,331
Liabilities	7,286	2,897	1,193	-	11,376
Unallocated liabilities					11,186
Total Liabilities					22,562
Other Information					
Capital expenditure	433	317	72	-	822
Depreciation and amortisation	543	447	191	-	1,181
Other non-cash expenses	288	41	73	-	402

(b) **Geographical segments**

Group	Turnover		Assets		Capital expenditure	
	6 months ended 30 Jun		6 months ended 30 Jun		6 months ended 30 Jun	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore	11,496	10,965	23,986	23,023	245	168
Other asian countries	16,534	15,665	49,134	43,308	2,769	654
Europe	5,448	3,582	-	-	-	-
Others	2,950	1,758	-	-	-	-
Total	36,428	31,970	73,120	66,331	3,014	822



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13 **BREAKDOWN OF SALES**

Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
2Q 2006				
Singapore (including domestic sales & sales to Singapore)	1,898	1,745	2,294	5,937
Overseas (including export to & sales in overseas)	7,870	4,372	110	12,352
Total sales	9,768	6,117	2,404	18,289
2Q 2005				
Singapore	1,682	1,657	1,710	5,049
Overseas	6,125	4,412	56	10,593
Total sales	7,807	6,069	1,766	15,642
Turnover (Group)	Fish \$'000	Accessories \$'000	Plastics \$'000	Total \$'000
6 months ended 30 Jun 2006				
Singapore (including domestic sales & sales to Singapore)	3,957	3,257	4,282	11,496
Overseas (including export to & sales in overseas)	15,526	9,239	167	24,932
Total sales	19,483	12,496	4,449	36,428
6 months ended 30 Jun 2005				
Singapore	3,992	3,508	3,465	10,965
Overseas	12,157	8,786	62	21,005
Total sales	16,149	12,294	3,527	31,970

BY ORDER OF THE BOARD

Kenny Yap Kim Lee
Executive Chairman and Managing Director
17/07/2006