

1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Profession	Nationality
Datuk Md Kamal bin Bilal <i>Independent Non-Executive Chairman</i>	1399, Jalan Perak 13200 Kepala Batas Seberang Perai Utara Pulau Pinang	Company Director	Malaysian
Tai Kun-Tsai <i>Non-Executive Deputy Chairman</i>	No. 255, Chien Shing Road Jen Ho Village Fang Liao Hsiang Ping-Tung Hsien Taiwan, Republic of China	Merchant	Taiwanese
Datuk Lo Fui Ming <i>Managing Director and Chief Executive Officer</i>	Lot 51-52, Taman Pertama Mile 5, Jalan Labuk P.O. Box No. 2112 90724 Sandakan Sabah	Merchant	Malaysian
Ho Khin Fong @ Henry Ho <i>Executive Director</i>	Lot 129, Taman Pertama Mile 5, Jalan Labuk P.O. Box No. 2112 90724 Sandakan Sabah	Merchant	Malaysian
Lo Ken Hin <i>Executive Director</i>	Lot No. 4, Taman Grandview Phase 1, Jalan Sim Sim P.O. Box No. 2112 90724 Sandakan Sabah	Merchant	Malaysian
Lo Teck Yong <i>Executive Director</i>	Lot 51-52, Taman Pertama Mile 5, Jalan Labuk P.O. Box No. 2112 90724 Sandakan Sabah	Merchant	Malaysian
Tai Chu-Chun <i>Executive Director</i>	Lot 149, Taman Pertama Mile 5, Jalan Labuk P.O. Box No. 2112 90724 Sandakan Sabah	Merchant	Taiwanese
Chang Mei-Lin <i>Non-Executive Director</i>	12F, No. 89 Sec 1 Pai-Shin Road Hsin-Tien City Taipei-Hsien Taiwan, Republic of China	Merchant	Taiwanese
Dora Chiu Kui Tzu <i>Independent Non-Executive Director</i>	Lot 5, Block D, Taman Fulliwa Mile 3 ^{1/2} , Jalan Labuk W.D.T. 443 90009 Sandakan Sabah	Company Director	Malaysian
Chong Khing Chung <i>Independent Non-Executive Director</i>	Taman Baru, Tuaran Road House No. 1226, Mile 2 ^{3/4} 88300 Kota Kinabalu Sabah	Company Director	Malaysian

1. CORPORATE DIRECTORY (CONT'D)**AUDIT COMMITTEE**

Name	Designation	Directorship
Chong Khing Chung	Chairman	Independent Non-Executive Director
Datuk Md Kamal bin Bilal	Member	Independent Non-Executive Chairman
Ho Khin Fong @ Henry Ho	Member	Executive Director

COMPANY SECRETARIES : Chong Tzu Khen (MACS 00777)
 Lot 42, Taman Fulliwa
 Mile 3, Jalan Labuk
 90000 Sandakan
 Sabah

Kang Shew Meng (MAICSA 0778565)
 Block 10, B3-2
 Hillside Apartments
 Taman Melawati
 Phase 9B
 53100 Kuala Lumpur

REGISTERED OFFICE AND HEAD OFFICE : 84E/16, Kampung Sungai Kayu
 Mile 7, Jalan Airport
 P.O. Box 2112
 90724 Sandakan
 Sabah

Telephone : 089 - 674 211
 Facsimile : 089 - 671 214
 Website : www.borneoaqua.com.my

R&D CENTRE : 84E/16, Kampung Sungai Kayu
 Mile 7, Jalan Airport
 P.O. Box 2112
 90724 Sandakan
 Sabah

Breeding Centre at Pulau Berhala, Sandakan, Sabah

SHARE REGISTRAR : Epsilon Registration Services Sdn Bhd
 312, 3rd Floor
 Block C, Kelana Square
 17, Jalan SS7/26
 47301 Petaling Jaya
 Selangor Darul Ehsan

PRINCIPAL BANKER : Hong Leong Bank Berhad
 Lot 1, 2 and 3
 Block 18, Mile 4
 North Road, Bandar Indah
 90722 Sandakan
 Sabah

1. CORPORATE DIRECTORY (CONT'D)

AUDITORS AND REPORTING ACCOUNTANTS	:	Ernst & Young (AF:0039) Chartered Accountants 16th Floor, Wisma Khoo Siak Chiew Jalan Buli Sim Sim 90000 Sandakan Sabah
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd 27th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur
SOLICITORS	:	Teh & Lee Unit 23-3, 3rd Floor The Boulevard Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur
VALUER	:	CH Williams Talhar & Wong (Sabah) Sdn Bhd Room 602, 6th Floor Lai Piang Kee Building Jalan Lima, W.D.T 110 90009 Sandakan Sabah
ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	Commerce International Merchant Bankers Berhad 7th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur
LISTING SOUGHT	:	MESDAQ Market of Bursa Securities (Syariah-Compliant)

2. INFORMATION SUMMARY

THIS SECTION OF THE PROSPECTUS REPRESENTS ONLY A SUMMARY OF THE SALIENT INFORMATION IN RELATION TO THE BORNEO AQUA GROUP AND OF THE PUBLIC ISSUE. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE ISSUE SHARES.

2.1 HISTORY AND PRINCIPAL ACTIVITIES

Borneo Aqua was incorporated in Malaysia as a private limited company under the Act on 16 April 2004 under the name of Borneo Aqua Harvest Sdn Bhd. On 20 May 2004, Borneo Aqua was converted into a public limited company and adopted its present name. The principal activity of Borneo Aqua is investment holding. Borneo Aqua has 2 wholly-owned subsidiaries, namely Plentiful and Marine.

Plentiful was incorporated in Malaysia as a private limited company under the Act on 24 April 2001. The principal activities of Plentiful are fish breeding, operation of a fish hatchery and fish rearing.

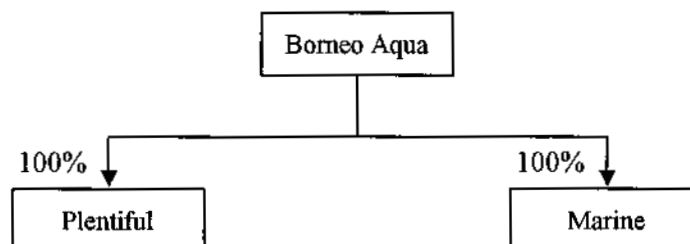
Marine was incorporated in Malaysia as a private limited company under the Act on 18 June 2002. The principal activity of Marine is fish rearing.

The Borneo Aqua Group is an integrated marine aquaculture group of companies whereby marine biotechnologies are applied/used in its production process from broodstock management to spawning, hatching, and larvae and fry rearing. The Group through its subsidiary, Plentiful, is the first company in Malaysia that has successfully mass produce fry of Malabar Red Snapper, Marble Grouper and Coral Trout Grouper for commercial purposes.

At as 30 June 2005, the Borneo Aqua Group occupies approximately 26.38 acres of land located in Sandakan, Sabah for its fish breeding and hatching activities which comprise 30 ponds of various sizes, of which 24 ponds are used for breeding fish larvae, 3 ponds for breeding Rotifer, 1 pond for breeding Copepod and 2 ponds are used as reservoir for storing filtered seawater. In addition, the Borneo Aqua Group has 208 sea cages occupying part of the total 30 acres of sea area for the Group's broodstock culturing and fish rearing activities off Pulau Berhala and Pulau Bai, Sandakan, Sabah.

The Borneo Aqua Group maintains its head office, R&D centre and hatchery centre at Kampung Sungai Kayu, Sandakan while its fish breeding centre and rearing centre are based at Pulau Berhala and Pulau Bai, Sandakan. The Borneo Aqua Group also maintains a R&D centre at Pulau Berhala.

The Borneo Aqua Group's structure as at the date hereof is as follows:



A summary of the details of Borneo Aqua's subsidiaries, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Date of incorporation	Issued and paid-up share capital RM	Effective equity interest %	Principal activities
Plentiful	24.04.01	500,000	100.00	Fish breeding, operation of a fish hatchery and fish rearing
Marine	18.06.02	100,000	100.00	Fish rearing

Further information on the Borneo Aqua Group is set out in Section 5 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.2 OWNERSHIP AND MANAGEMENT

Save as disclosed below, none of the Directors, promoters, substantial shareholders, and key management and technical personnel has any shareholdings, direct or indirect, in Borneo Aqua before and after the Issues:

(i) Directors

Directors	Designation	Before the Issues			
		Direct		Indirect	
		Number of Borneo Aqua Shares held	Percentage of issued share capital %	Number of Borneo Aqua Shares held	Percentage of issued share capital %
Datuk Md Kamal bin Bilal	Independent Non-Executive Chairman	-	-	-	-
Tai Kun-Tsai	Non-Executive Deputy Chairman	-	-	-	-
Datuk Lo Fui Ming	Managing Director and Chief Executive Officer	40,003,757	53.34	-	-
Ho Khin Fong @ Henry Ho	Executive Director	6,377,433	8.50	-	-
Lo Ken Hin	Executive Director	5,766,875	7.69	-	-
Lo Teck Yong	Executive Director	170,309	0.23	-	-
Tai Chu-Chun	Executive Director	4,843,898	6.46	-	-
Chang Mei-Lin	Non-Executive Director	3,887,080	5.18	-	-
Dora Chiu Kui Tzu	Independent Non-Executive Director	-	-	-	-
Chong Khing Chung	Independent Non-Executive Director	-	-	-	-

Directors	Designation	After the Issues			
		Direct		Indirect	
		Number of Borneo Aqua Shares held	Percentage of issued share capital %	Number of Borneo Aqua Shares held	Percentage of issued share capital %
Datuk Md Kamal bin Bilal	Independent Non-Executive Chairman	180,000	0.06	-	-
Tai Kun-Tsai	Non-Executive Deputy Chairman	165,000	0.06	-	-
Datuk Lo Fui Ming	Managing Director and Chief Executive Officer	120,176,271	40.06	-	-
Ho Khin Fong @ Henry Ho	Executive Director	19,297,299	6.43	-	-
Lo Ken Hin	Executive Director	17,465,625	5.82	-	-
Lo Teck Yong	Executive Director	675,927	0.23	-	-
Tai Chu-Chun	Executive Director	14,696,694	4.90	-	-
Chang Mei-Lin	Non-Executive Director	11,826,240	3.94	-	-
Dora Chiu Kui Tzu	Independent Non-Executive Director	105,000	0.04	-	-
Chong Khing Chung	Independent Non-Executive Director	105,000	0.04	-	-

2. INFORMATION SUMMARY (CONT'D)

(ii) Promoters

Promoters	Designation	Before the Issues			
		Direct		Indirect	
		Number of Borneo Aqua Shares held	Percentage of issued share capital %	Number of Borneo Aqua Shares held	Percentage of issued share capital %
Datuk Lo Fui Ming	Managing Director and Chief Executive Officer	40,003,757	53.34	-	-
Ho Khin Fong @ Henry Ho	Executive Director	6,377,433	8.50	-	-
Lo Ken Hin	Executive Director	5,766,875	7.69	-	-
Tai Chu-Chun	Executive Director	4,843,898	6.46	-	-
Chang Mei-Lin	Non-Executive Director	3,887,080	5.18	-	-

Promoters	Designation	After the Issues			
		Direct		Indirect	
		Number of Borneo Aqua Shares held	Percentage of issued share capital %	Number of Borneo Aqua Shares held	Percentage of issued share capital %
Datuk Lo Fui Ming	Managing Director and Chief Executive Officer	120,176,271	40.06	-	-
Ho Khin Fong @ Henry Ho	Executive Director	19,297,299	6.43	-	-
Lo Ken Hin	Executive Director	17,465,625	5.82	-	-
Tai Chu-Chun	Executive Director	14,696,694	4.90	-	-
Chang Mei-Lin	Non-Executive Director	11,826,240	3.94	-	-

(iii) Substantial shareholders

Substantial shareholders	Designation	Before the Issues			
		Direct		Indirect	
		Number of Borneo Aqua Shares held	Percentage of issued share capital %	Number of Borneo Aqua Shares held	Percentage of issued share capital %
Datuk Lo Fui Ming	Managing Director and Chief Executive Officer	40,003,757	53.34	-	-
Ho Khin Fong @ Henry Ho	Executive Director	6,377,433	8.50	-	-
Lo Ken Hin	Executive Director	5,766,875	7.69	-	-

Substantial shareholders	Designation	After the Issues			
		Direct		Indirect	
		Number of Borneo Aqua Shares held	Percentage of issued share capital %	Number of Borneo Aqua Shares held	Percentage of issued share capital %
Datuk Lo Fui Ming	Managing Director and Chief Executive Officer	120,176,271	40.06	-	-
Ho Khin Fong @ Henry Ho	Executive Director	19,297,299	6.43	-	-
Lo Ken Hin	Executive Director	17,465,625	5.82	-	-

2. INFORMATION SUMMARY (CONT'D)

(iv) Key management and technical personnel

Key management and technical personnel	Designation	-----Before the Issues----->			
		<-----Direct----->		<-----Indirect----->	
		Number of Borneo Aqua Shares held	Percentage of issued share capital %	Number of Borneo Aqua Shares held	Percentage of issued share capital %
Akinori Hotani	Head of R&D and Technical Supervisor for Rearing Centre and Breeding Centre	-	-	-	-
Lo Kim Fung	Operation Manager	-	-	-	-
Chen Chin Chi	Technical Supervisor for Hatchery Centre	-	-	-	-
Chong Tzu Khen	Finance Manager and Company Secretary	-	-	-	-
Yap Sui Kong	Director of Marine - Operations	423,035	0.56	-	-
Han Chaw Kwang	Director of Marine - Rearing	1,941,510	2.59	-	-

Key management and technical personnel	Designation	-----After the Issues----->			
		<-----Direct----->		<-----Indirect----->	
		Number of Borneo Aqua Shares held	Percentage of issued share capital %	Number of Borneo Aqua Shares held	Percentage of issued share capital %
Akinori Hotani	Head of R&D and Technical Supervisor for Rearing Centre and Breeding Centre	135,000	0.05	-	-
Lo Kim Fung	Operation Manager	135,000	0.05	-	-
Chen Chin Chi	Technical Supervisor for Hatchery Centre	135,000	0.05	-	-
Chong Tzu Khen	Finance Manager and Company Secretary	135,000	0.05	-	-
Yap Sui Kong	Director of Marine - Operations	1,434,105	0.48	-	-
Han Chaw Kwang	Director of Marine - Rearing	5,989,530	2.00	-	-

Note:

The shareholdings after the Issues as disclosed above include the Issue Shares allocated as part of the pink form allocation to eligible Directors and employees of the Borneo Aqua Group and assuming that they subscribe in full for their respective allocations.

Further details of the Directors, promoters, substantial shareholders, and the key management and technical personnel of the Borneo Aqua Group are set out in Section 6 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.3 PRODUCTS

As at the date of this Prospectus, the Borneo Aqua Group has successfully produced 3 high commercial value species for commercial purposes, the details are as follows:

Specie	Scientific Name	Chinese Name (Romanised)	Bahasa Malaysia Name
Malabar Red Snapper	<i>Lutjanus Malabaricus</i>	Hung Kai	Ikan Merah
Marble Grouper	<i>Epinephelus Fuscoguttatus</i>	Lau Fu Pan	Kerapu
Coral Trout Grouper	<i>Plectropomus Leopardus</i>	Tung Sing Pan/ Chat Sing Pan	Sunoh

The high commercial value species that are currently in various stages of R&D and are expected to be in production for commercial purposes in current financial year and within the next 3 financial years are as follows:

Specie	Scientific Name	Chinese Name (Romanised)	Bahasa Malaysia Name	Expected commencement of commercial production (Financial year ending)
Giant Grouper	<i>Epinephelus Lanceolatus</i>	Lotun / Fa Mui	Kerapu Hitam/ Keratang	31 March 2006
Barred Check Coral Trout Grouper	<i>Plectropomus Maculatus</i>	Tai Sing Pan	Sunoh	31 March 2006
Tomato Rock Grouper	<i>Cephalopholis Sonnerati</i>	Hung Lau Fu Pan	Kerapu Merah	31 March 2007
Coral Rockcod Grouper	<i>Epinephelus Corallicola</i>	So Shi Pan	Kerapu Bintang	31 March 2007
Potato Cod Grouper	<i>Epinephelus Tukula</i>	Tai Lam Pan	N/A	31 March 2008
Humpback Grouper	<i>Cromileptes Altilvelis</i>	Lau Chu Pan	Kerapu Tikus	31 March 2008
Camouflage Grouper	<i>Epinephelus Polyphekadion</i>	Cham Pan	Kerapu Hitam	31 March 2009
Trout Cod Grouper	<i>Epinephelus Maculatus</i>	Fa Yin Pan	Kerapu Bunga	31 March 2009
Barred Knifejaw*	<i>Oplegnathus Fasciatus</i>	N/A	N/A	31 March 2009

Notes:

N/A Not available.

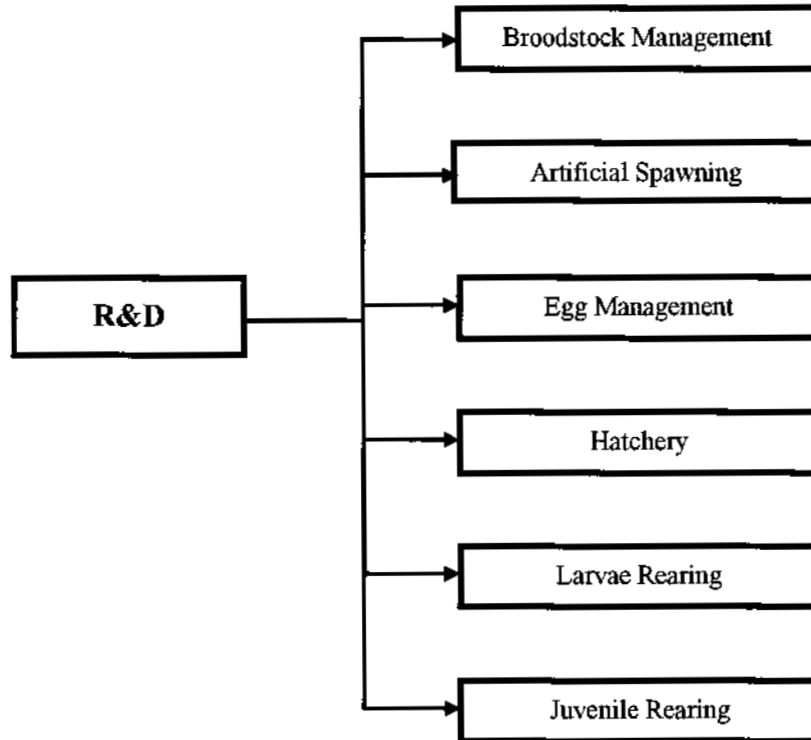
* As part of its R&D process, the Group has in June 2005 successfully hatched eggs bought from South Korea to fry, of which part of them will be reared to adult fish for broodstock purpose whilst the balance will be sold.

Further details on the Borneo Aqua Group's products are set out in Section 7.1 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.4 RESEARCH AND DEVELOPMENT

Set out below is the overview of Borneo Aqua Group's R&D process:



The Group has achieved numerous achievements and breakthroughs pursuant to the R&D carried out. The Group has successfully acquired the technologies in artificial breeding, artificial mass spawning, eggs management, hatchery activities and production of live feeds for larvae.

With the abovementioned technologies, Plentiful has been acknowledged by the Fisheries Department of Sabah (via its letter dated 23 October 2003 and 24 April 2004) as the first company in Malaysia to have successfully mass produce Malabar Red Snapper, Marble Grouper and Coral Trout Grouper for commercial purposes. Plentiful was also awarded the certificate of recognition as an Excellent Entrepreneur in the Agriculture Sector by the Ministry of Agriculture and Food Industry, Sabah on 16 July 2005.

Further details on the Borneo Aqua Group's R&D capabilities and achievements are disclosed in Section 7.7 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.5 PROFORMA CONSOLIDATED INCOME STATEMENT OF THE BORNEO AQUA GROUP

The following table sets forth a summary of the proforma consolidated income statements of the Borneo Aqua Group for the past financial periods ended 30 June 2002 and 31 March 2003 and the financial years ended 31 March 2004 and 31 March 2005, prepared based on the assumption that the current structure of the Borneo Aqua Group has been in existence throughout the financial periods and years under review. The proforma consolidated income statements are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set forth in Section 14 of this Prospectus.

	←----- Audited -----→			
	←----- Financial periods/years ended -----→			
	30 June 2002 RM	31 March 2003 RM	31 March 2004 RM	31 March 2005 RM
Revenue	-	-	1,649,098	6,029,552
(Loss)/Profit before R&D expenditure, amortisation, depreciation, finance costs and taxation	(46,050)	(437,598)	739,650	3,746,956
R&D expenditure	-	(316,740)	(89,262)	-
Amortisation of broodstocks and development expenditure	-	-	(21,240)	(36,509)
Depreciation	(24,152)	(55,892)	(202,040)	(350,084)
Finance costs	-	(7,961)	(15,739)	(22,289)
(Loss before tax)/PBT	(70,202)	(818,191)	411,369	3,338,074
Taxation	-	351,487	(136,738)	(3,233)
(Loss after tax)/PAT	(70,202)	(466,704)	274,631	3,334,841
Number of Borneo Aqua Shares assumed in issue ⁽¹⁾	75,000,000	75,000,000	75,000,000	75,000,000
Net (loss per share)/ EPS (sen)	⁽²⁾ (0.08)	⁽²⁾ (0.83)	0.37	4.45

Notes:

- (1) Being the number of Borneo Aqua Shares assumed in issue after the Acquisitions, Capitalisation of Debts and Rights Issue.
- (2) Annualised for comparison purposes only.
- (3) During the financial period ended 31 March 2003 and the financial years ended 31 March 2004 and 31 March 2005, the Borneo Aqua Group had incurred R&D expenditure amounting to RM394,667, RM269,177 and RM117,606 respectively. Development expenditure amounting to RM77,927, RM179,915 and RM117,606 have been capitalised as intangible assets for the financial period ended 31 March 2003 and the financial years ended 31 March 2004 and 31 March 2005 respectively. Capitalised development expenditure will be amortised based on straight line basis over 5 years.
- (4) The subsidiaries of Borneo Aqua, namely Plentiful and Marine have been granted tax incentive under Section 127 of the Income Tax Act, 1967 whereby the two companies are exempted from tax on statutory income from fish breeding, fish fry hatchery and fish rearing activities for a period of 10 years commencing 1 April 2004.

There were no extraordinary items or exceptional items during the financial periods/years under review.

The audited financial statements of Borneo Aqua and its subsidiaries for the financial periods ended 30 June 2002 and 31 March 2003 and the financial years ended 31 March 2004 and 31 March 2005 were not subject to any audit qualification. Detailed information on the proforma consolidated income statement of the Borneo Aqua Group is set out in Section 12.1 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.6 PROFORMA CONSOLIDATED BALANCE SHEETS OF THE BORNEO AQUA GROUP AS AT 31 MARCH 2005

The following table sets forth a summary of the proforma consolidated balance sheets of the Borneo Aqua Group as at 31 March 2005, for illustrative purposes only, to show the effects of the Acquisitions, Capitalisation of Debts, Rights Issue, Public Issue, utilisation of proceeds and Bonus Issue on the assumption that the Listing has been completed on that date and should be read with the notes and assumptions to the proforma consolidated balance sheets of the Borneo Aqua Group as set forth in Section 12.5 of this Prospectus.

	Audited as at 31 March 2005 RM	Proforma I After Acquisitions RM	Proforma II After Proforma I, Capitalisation of Debts and Rights Issue RM	Proforma III After Proforma II, Public Issue and utilisation of proceeds RM	Proforma IV After Proforma III and Bonus Issue RM
Property, plant and equipment	-	3,796,807	3,796,807	21,845,309	21,845,309
Broodstocks	-	867,094	867,094	2,367,094	2,367,094
Deferred tax assets	-	214,749	214,749	214,749	214,749
Development expenditure	-	349,686	349,686	349,686	349,686
	-	5,228,336	5,228,336	24,776,838	24,776,838
Current Assets					
Inventories	-	1,307,582	1,307,582	1,307,582	1,307,582
Trade receivables	-	1,859,658	1,859,658	1,859,658	1,859,658
Other receivables	617,819	960,546	960,546	960,546	960,546
Cash and bank balances	2	837,693	1,388,235	4,389,733	4,389,733
	617,821	4,965,479	5,516,021	8,517,519	8,517,519
Current Liabilities					
Amounts due to shareholders	-	6,856,252	12,000	12,000	12,000
Trade payables	-	381,725	381,725	381,725	381,725
Other payables	631,297	264,952	264,952	264,952	264,952
Hire purchase creditors	-	100,447	100,447	100,447	100,447
Tax payable	-	3,233	3,233	3,233	3,233
	631,297	7,606,609	762,357	762,357	762,357
NET CURRENT (LIABILITIES)/ ASSETS	(13,476)	(2,641,130)	4,753,664	7,755,162	7,755,162
LONG TERM LIABILITIES					
Hire purchase creditors	-	(123,173)	(123,173)	(123,173)	(123,173)
	(13,476)	2,464,033	9,858,827	32,408,827	32,408,827
Share capital	2	105,206	7,500,000	10,000,000	30,000,000
Share premium	-	-	-	20,050,000	50,000
Accumulated losses	(13,478)	(13,478)	(13,478)	(13,478)	(13,478)
Shareholders' equity	(13,476)	91,728	7,486,522	30,036,522	30,036,522
Negative goodwill on consolidation	-	2,372,305	2,372,305	2,372,305	2,372,305
	(13,476)	2,464,033	9,858,827	32,408,827	32,408,827
NTA per Borneo Aqua Share (RM)*	(673.80)	2.01	0.13	0.32	0.11

The proforma consolidated balance sheets have been prepared based on the audited financial statements of Borneo Aqua, Plentiful and Marine for the financial period/year ended 31 March 2005, adjusted to include payments of dividend by Plentiful and Marine amounting to RM500,000 and RM300,000 respectively prior to the Acquisitions.

Note:

* In arriving at the NTA, development expenditure has been deducted from the net assets.

2. INFORMATION SUMMARY (CONT'D)

2.7 RISK FACTORS

Applicants for the Issue Shares should carefully consider the following risk factors (which may not be exhaustive) summarised from Section 4 of this Prospectus, in addition to the other information contained elsewhere in this Prospectus, before applying for the Issue Shares:

- (i) no prior market for Borneo Aqua Shares;
- (ii) business and operating risks;
- (iii) competition;
- (iv) disease outbreak and pollution risks;
- (v) natural disaster;
- (vi) supply of broodstock;
- (vii) fluctuation in selling price of fish fry and adult fishes;
- (viii) water quality and supply management;
- (ix) environmental concerns;
- (x) insurance coverage;
- (xi) dependence on particular products;
- (xii) dependence on key customers;
- (xiii) dependence on particular export market;
- (xiv) dependence on directors, key management and technical personnel;
- (xv) delays in R&D;
- (xvi) continued control by existing shareholders;
- (xvii) renewal of TOL;
- (xviii) infringement and/or breach of security in respect to the Group's intellectual property;
- (xix) security breach and act of sabotage;
- (xx) foreign exchange risks;
- (xxi) political, economic and regulatory considerations;
- (xxii) uncertainty of the proposed 5-year business development plan;
- (xxiii) conflict of interest;
- (xxiv) restrictive covenants under credit facility agreements which may limit the Group's operating and financial flexibility;
- (xxv) forward-looking statements; and
- (xxvi) delay in or failure of the Listing.

For details on these risk factors, please refer to Section 4 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.8 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

The following statistics relating to the Public Issue are derived from the full text of this Prospectus and should be read in conjunction with that text:

2.8.1 Share Capital

	RM
<i>Authorised</i>	
500,000,000 ordinary shares of RM0.10 each	50,000,000
<i>Issued and fully-paid up share capital as at the date of this Prospectus</i>	
75,000,000 ordinary shares of RM0.10 each	7,500,000
<i>To be issued pursuant to the Public Issue</i>	
25,000,000 ordinary shares of RM0.10 each	2,500,000
<i>To be issued pursuant to the Bonus Issue</i>	
200,000,000 ordinary shares of RM0.10 each	20,000,000
<i>Enlarged issued and fully paid-up share capital</i>	30,000,000

2.8.2 Classes of Shares and Ranking

There is only one class of shares in Borneo Aqua, being ordinary shares of RM0.10 each. The Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of Borneo Aqua at the time of issue, including voting rights, and will be entitled to all rights and dividends and distribution that may be declared subsequent to the date of allotment of the Issue Shares.

2.8.3 Issue Price

The issue price for each Issue Share RM0.99

(Theoretical ex-bonus price after the Bonus Issue will be RM0.33 per Borneo Aqua Share)

2.8.4 Bonus Issue

As part of the Listing, Borneo Aqua will implement a bonus issue of 200,000,000 new Borneo Aqua Shares to existing shareholders of Borneo Aqua subsequent to the completion of the Public Issue but prior to the Listing, on the basis of 2 new Borneo Aqua Shares for every 1 existing Borneo Aqua Share held after the Public Issue.

2.8.5 Proforma Consolidated NTA of the Borneo Aqua Group as at 31 March 2005

Proforma consolidated NTA	32,059,141
<i>(after the Issues and deducting the total estimated listing expenses of RM2,200,000) (RM)</i>	
Proforma consolidated NTA per ordinary share	0.11
<i>(based on the enlarged issued and paid-up share capital of 300,000,000 Borneo Aqua Shares upon Listing) (RM)</i>	

Details of the proforma consolidated balance sheets of the Borneo Aqua Group are set out in Section 12.5 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.9 DIVIDEND POLICY

The Board intends to declare and pay annual dividends of not less than 30.0 per cent of the yearly PAT after minority interest (if any) in the financial year ending 31 March 2006 and the future financial years.

The Board will take into account various factors stated below, in considering the level of dividend payments, if any:

- (i) the level of cash balance and level of indebtedness;
- (ii) the required and expected interest expense, cash flows, profits and return on equity and retained earnings;
- (iii) the expected results of operations;
- (iv) the projected levels of capital expenditure and other investment plans; and
- (v) the required reserve for future corporate exercises.

In addition, in order to distribute dividends without incurring additional tax liabilities, the level of tax credits or tax exempt account available to Borneo Aqua may also limit the amount of dividends to be declared. The subsidiaries of Borneo Aqua, namely Plentiful and Marine have been granted tax incentive under Section 127 of the Income Tax Act, 1967 whereby the two companies are exempted from tax on statutory income from fish breeding, fish fry hatchery and fish rearing activities for a period of 10 years commencing 1 April 2004.

Detailed information on the Company's dividend policy is set out in Section 3.5 of this Prospectus.

2.10 PROCEEDS FROM THE RIGHTS ISSUE AND PUBLIC ISSUE

The total gross proceeds from the Rights Issue and Public Issue of RM550,542 and RM24,750,000 respectively are expected to be fully utilised for the core business of the Group by the financial year ending 31 March 2008, the details of which are as follows:

	RM 000
Capital expenditure for operations	18,127.6
Expenditure for R&D	2,730.0
Working capital	2,242.9
Estimated listing expenses	2,200.0
	<u>25,300.5</u>

Detailed information on the utilisation of proceeds is set out in Section 3.9 of this Prospectus.

2.11 WORKING CAPITAL, BORROWINGS, MATERIAL COMMITMENT, CONTINGENT LIABILITIES AND MATERIAL LITIGATION

2.11.1 Working Capital

The Directors of Borneo Aqua are of the opinion that, after taking into account the consolidated cashflows, banking facilities available and the gross proceeds from the Rights Issue and Public Issue, the Borneo Aqua Group will have adequate working capital for its foreseeable requirements, in any case for a period of 12 months after the date of issuance of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.11.2 Borrowings

As at 8 July 2005, being the latest practicable date prior to the printing of this Prospectus, the Borneo Aqua Group's total outstanding borrowings amounted to approximately RM369,317. Details on the total outstanding borrowings are set out in Section 12.3(ii) of this Prospectus.

2.11.3 Material Commitment

Save as disclosed below, as at 8 July 2005, being the latest practicable date prior to the printing of this Prospectus, the Directors of Borneo Aqua are not aware of any material capital commitment contracted or known to be contracted by Borneo Aqua and/or its subsidiaries which, upon becoming enforceable, may have a material impact on the financial position of the Borneo Aqua Group.

	RM 000
Approved and contracted for	1,587.6
Approved but not contracted for	27,208.3

Detailed information on the Group's material commitment is set out in Section 12.3(iv) of this Prospectus.

2.11.4 Contingent Liabilities

As at 8 July 2005, being the latest practicable date prior to the printing of this Prospectus, the Directors of Borneo Aqua are not aware of any contingent liabilities incurred by Borneo Aqua and/or any of Borneo Aqua's subsidiaries which, upon becoming enforceable, may have a material impact on the financial position of the Borneo Aqua Group.

2.11.5 Material Litigation

As at 8 July 2005, being the latest practicable date prior to the printing of this Prospectus, neither Borneo Aqua nor any of its subsidiaries is engaged in any litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of Borneo Aqua or its subsidiaries, and the Directors of Borneo Aqua are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of Borneo Aqua and/or its subsidiaries.

3. DETAILS OF THE PUBLIC ISSUE

3.1 INTRODUCTION

This Prospectus is dated 6 August 2005.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form has also been lodged with the ROC who takes no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed Borneo Aqua Shares as a Prescribed Security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository. No share certificates will be issued to successful applicants.

The entire issued and paid-up share capital of 300,000,000 Borneo Aqua Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

The approvals of the SC was obtained for the Public Issue on 25 January 2005, 23 March 2005 and 27 April 2005, and the approval of Bursa Securities was obtained on 25 January 2005 for admission to the Official List of the MESDAQ Market, and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up share capital of Borneo Aqua, including the Issue Shares which are the subject of this Prospectus, on the MESDAQ Market. On 20 May 2005, the Syariah Advisory Council of the SC ("SAC") for the purpose of the Public Issue and the listing of Borneo Aqua on the MESDAQ Market, has classified Borneo Aqua's securities as Syariah-compliant, which will remain valid until the next review by the SAC based on the next audited financial statements of the Borneo Aqua Group.

Pursuant to the Listing Requirements, Borneo Aqua needs to have at least 25% but not more than 49% of the entire enlarged issued and paid-up share capital of Borneo Aqua to be in the hands of public shareholders with a minimum number of 200 public shareholders, upon admission to the MESDAQ Market. Borneo Aqua is expected to achieve this at the point of Listing. However, in the event that this requirement is not met pursuant to the Public Issue, Borneo Aqua may not be allowed to proceed with the Listing. In the event therefore, monies paid in respect of all applications will be returned without interest.

Applicants of the Issue Shares must have a CDS account. In the case of an application by way of the Application Form, the applicant should furnish his/her CDS account number in the space provided in the Application Form and he/she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to MIH or the Company for the purpose of crediting the Issue Shares to his/her CDS account. If a successful applicant fails to state his/her CDS account number, MIH under the instruction of the Company will reject the application. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. In the case of an application by way of Internet Share Application, only an applicant who has a CDS account opened with the Internet Participating Financial Institution can make an Internet Share Application. Arising therewith, the applicant's CDS account number would automatically appear in the electronic initial public offering online application form. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application or Internet Share Application.

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by Borneo Aqua and/or CIMB. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Borneo Aqua or any of its subsidiaries, or of the Borneo Aqua Group, since the date hereof.

The distribution of this Prospectus and the sale of the Issue Shares are subject to Malaysian law and Borneo Aqua takes no responsibility for the distribution of this Prospectus and/or offer or sale of the Issue Shares outside Malaysia which may be restricted by law in other jurisdictions. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or any other professional adviser immediately.

3.2 PARTICULARS OF THE PUBLIC ISSUE

The Public Issue is subject to the terms and conditions of this Prospectus and, upon acceptance of applications, the Issue Shares will be allocated in the following manner:

- (a) 1,000,000 of the Issue Shares have been reserved for the eligible Directors and employees of the Borneo Aqua Group;
- (b) 1,500,000 of the Issue Shares are available for application by Malaysian citizens, companies, societies, co-operatives and institutions; and
- (c) 22,500,000 of the Issue Shares are reserved for private placement to identified investors.

Any Issue Shares in respect of paragraph (a) above not subscribed for by the eligible Directors and employees of the Borneo Aqua Group will be reallocated to other eligible Directors and employees of the Borneo Aqua Group. The Issue Shares in respect of paragraph (a) above not taken up after the said reallocation, if any, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

The Issue Shares in respect of (a) and (b) above are fully underwritten by the Underwriter at an underwriting commission of 1.75% of the issue price of RM0.99 per Issue Share.

The Issue Shares in respect of (c) above need not be and will not be underwritten. The identified investors have given their irrevocable undertaking to subscribe for the said shares.

The minimum level of subscription in respect of the Public Issue shall be 25,000,000 Issue Shares. The said minimum level of subscription was determined after taking into consideration the public shareholding spread and the funding requirements of the Group.

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

3.3 CRITERIA OF ALLOCATION TO ELIGIBLE DIRECTORS AND EMPLOYEES

The criteria of allocation to the 10 Directors and 65 eligible employees of the Borneo Aqua Group as at 30 June 2005, as approved by the Directors of Borneo Aqua, is as follows:

- (a) the Directors of Borneo Aqua are allocated the Issue Shares based on their position as follows:

Position	Name	Number of Issue Shares
Independent Non-Executive Chairman	Datuk Md Kamal bin Bilal	60,000
Non-Executive Deputy Chairman	Tai Kun-Tsai	55,000
Managing Director and Chief Executive Officer	Datuk Lo Fui Ming	55,000
Executive Director	Ho Khin Fong @ Henry Ho	55,000
Executive Director	Lo Ken Hin	55,000
Executive Director	Lo Teck Yong	55,000
Executive Director	Tai Chu-Chun	55,000
Non-Executive Director	Chang Mei-Lin	55,000
Independent Non-Executive Director	Dora Chui Kui Tzu	35,000
Independent Non-Executive Director	Chong Khing Chung	35,000

- (b) the position of the 65 eligible employees who are above 18 years old and confirmed employees of the Borneo Aqua Group as at 30 June 2005.

3.4 SHARE CAPITAL AND RIGHTS ATTACHING TO THE ISSUE SHARES

	RM
<i>Authorised share capital</i> 500,000,000 ordinary shares of RM0.10 each	50,000,000
<i>Issued and fully-paid up share capital as at the date of this Prospectus</i> 75,000,000 ordinary shares of RM0.10 each	7,500,000
<i>To be issued pursuant to the Public Issue</i> 25,000,000 ordinary shares of RM0.10 each	2,500,000
<i>To be issued pursuant to the Bonus Issue</i> 200,000,000 ordinary shares of RM0.10 each	20,000,000
<i>Enlarged issued and fully paid-up share capital</i>	30,000,000

The issue price of RM0.99 per Issue Share is payable in full upon application.

Class of shares and ranking

There is only one class of shares in Borneo Aqua, namely ordinary shares of RM0.10 each. The Issue Shares, when issued, shall rank *pari passu* in all respects with the existing issued and paid-up ordinary shares of RM0.10 each in Borneo Aqua, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment of the Issue Shares.

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

Subject to special rights attaching to any share which may be issued by Borneo Aqua in the future, the shareholders of Borneo Aqua shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by Borneo Aqua as dividends and other distributions, and the whole of any surplus in the event of liquidation of Borneo Aqua, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with Borneo Aqua's articles of association.

Each shareholder shall be entitled to vote at every general meeting of Borneo Aqua in person, by proxy or by attorney, and, on a show of hands, every person present who is a shareholder, or a representative, proxy or attorney of a shareholder, shall have one vote, and on a poll, every shareholder present in person, by proxy, by attorney or by duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of Borneo Aqua.

3.5 DIVIDEND POLICY

The ability of Borneo Aqua to pay dividends or make other distributions to the shareholders of Borneo Aqua is subject to having profits and excess funds which are not required to be retained to fund the operations, other obligations or business plans and may in the future be subject to restrictions contained in future loan agreements which limit the payment of dividends without the prior written consent of the lenders.

The Board has considered the general principles that they currently intend to apply when recommending dividends for approval by the shareholders of Borneo Aqua or when declaring any interim dividends. The actual dividend that the Board may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Board. The Board may, by ordinary resolution of the shareholders, declare dividends at a general meeting, but no dividend shall exceed the amount recommended by the Board.

The Board intends to declare and pay annual dividends of not less than 30.0 per cent of the yearly PAT after minority interest (if any) in the financial year ending 31 March 2006 and the future financial years.

The Board will take into account various factors stated below, in considering the level of dividend payments, if any:

- (i) the level of cash balance and level of indebtedness;
- (ii) the required and expected interest expense, cash flows, profits and return on equity and retained earnings;
- (iii) the expected results of operations;
- (iv) the projected levels of capital expenditure and other investment plans; and
- (v) the required reserve for future corporate exercises.

In addition, in order to distribute dividends without incurring additional tax liabilities, the level of tax credits or tax exempt account available to Borneo Aqua may also limit the amount of dividends to be declared. The subsidiaries of Borneo Aqua, namely Plentiful and Marine have been granted tax incentive under Section 127 of the Income Tax Act, 1967 whereby the two companies are exempted from tax on statutory income from fish breeding, fish fry hatchery and fish rearing activities for a period of 10 years commencing 1 April 2004.

Investors should note that all the foregoing statements are merely statements of the present intention and are not legally binding statements in respect of the future dividends or dividends payable pursuant thereto, and are subject to modification (including reducing the pay-out ratio or amending or repealing the dividend policy, and reducing or eliminating dividends payable pursuant thereto) in the Directors' sole and absolute discretion.

No inference should or can be made from any of the foregoing statements as to the actual future profitability or the ability to pay dividends in the future.

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

3.6 OPENING AND CLOSING OF APPLICATION

Applications will be accepted from 10.00 a.m. on 6 August 2005 and will close at 5.00 p.m. on 19 August 2005 or for such later date or dates as the Directors of Borneo Aqua and the Underwriter may in their absolute discretion mutually decide. Late applications will not be accepted. The indicative timing of events leading up to the listing of and quotation for the entire enlarged issued and paid-up share capital of Borneo Aqua on the MESDAQ Market is as follows:

Event	Date
Opening of application	6 August 2005
Closing of application	19 August 2005
Tentative balloting date	23 August 2005
Tentative date of dispatch of notices of allotment to successful applicants	1 September 2005
Tentative listing date	5 September 2005

Should the closing date of the application be extended, the dates for the dispatch of notice of allotment and listing of and quotation for the entire issued and paid-up share capital of Borneo Aqua on the MESDAQ Market will be extended accordingly. In the event the closing date is extended, applicants will be notified of such further extension by way of advertisements placed in widely circulated English and Bahasa Malaysia newspapers.

3.7 PURPOSE OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:

- (i) to provide an opportunity for identified investors, eligible employees and Directors of the Borneo Aqua Group, and Malaysian citizens, companies, societies, co-operatives and institutions to participate in the growth of the Group by way of equity participation;
- (ii) to raise funds for expansion of the Group's operations and working capital, the details of which are mentioned in Section 3.9 below;
- (iii) to obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of Borneo Aqua on the MESDAQ Market;
- (iv) to provide Borneo Aqua with access to the capital market to raise funds for future expansion and growth of the Group; and
- (v) to enhance the stature of the Group in the marketing of its products and services, and to retain and attract new skilled employees.

3.8 BASIS OF ARRIVING AT THE ISSUE PRICE

The issue price of RM0.99 per Issue Share was determined and agreed upon by Borneo Aqua and CIMB, as the Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:

- (i) the Borneo Aqua Group's operating and financial history and conditions;
- (ii) the prospects of the Borneo Aqua Group and the industry as outlined in Sections 7, 8 and 9 of this Prospectus;
- (iii) the prevailing market conditions; and
- (iv) the proforma consolidated NTA per Borneo Aqua Share as at 31 March 2005.

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

Investors should take note that the Bonus Issue will be implemented upon completion of the Public Issue but prior to the Listing. Based on the Issue Price, the theoretical ex-bonus price will be RM0.33 per Borneo Aqua Share.

Investors should also note that the market price of the Issue Shares, upon and subsequent to the Listing, is subject to the vagaries of market forces and other uncertainties, which may affect the price of the said shares. Investors should form their own views on the valuation of the Issue Shares and also to take into consideration the risk factors set forth in Section 4 of this Prospectus before deciding to invest in the Issue Shares.

3.9 PROCEEDS FROM THE RIGHTS ISSUE AND PUBLIC ISSUE

The total gross proceeds from the Rights Issue and Public Issue of RM550,542 and RM24,750,000 respectively are expected to be fully utilised for the core business of the Group by the financial year ending 31 March 2008 as follows:

	Note	RM 000
Capital expenditure for operations	1	18,127.6
Expenditure for R&D	2	2,730.0
Working capital	3	2,242.9
Estimated listing expenses	4	2,200.0
		25,300.5

Notes:

- (1) Pursuant to the Group's risk management program and to increase its production capacity and efficiency, the Group has budgeted a sum of RM18.1276 million for capital expenditure for its operations, details of which are as follows:

	RM 000
(i) Acquisition of approximately 87 acres of land*	2,267.6
(ii) Construction, infrastructure and equipment cost for the abovementioned 87 acres of land to be acquired, 3.69 acres of land recently acquired and the construction of a new indoor hatchery centre at Pulau Palak, Sandakan	9,238.0
(iii) Construction of a fish fry packing and distribution centre	900.0
(iv) Construction of a jetty for transportation of eggs, fish fry and adult fish at its existing site at Kampung Sungai Kayu, Sandakan	250.0
(v) Construction of 100 new sea cages at Pulau Berhala and 300 new sea cages at Pulau Bai and purchase of relevant equipment	4,592.0
(vi) Purchase of equipment for existing Hatchery Centre and Breeding Centre	
3 units of automatic fish fry counter	150.0
2 units of fish fry transfer pump	100.0
3 drum water filters	480.0
3 units of freezers	150.0
	18,127.6

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

- * Approximately 57 acres of land have been identified of which Plentiful had entered into various sale and purchase agreements and an agreement for sublease with the land owners for options to purchase/sub-lease the said land for a total consideration of approximately RM1.67 million, out of which RM80,000 has been paid as part payment and deposit. The said consideration was arrived at after taking into consideration the total open market value of the said land of RM1.77 million ascribed by C.H. Williams Talhar & Wong (Sabah) Sdn Bhd. The Valuation Certificate is set out in Section 15 of this Prospectus. Details of the said sales and purchase agreements and agreement for sublease are set out in Section 16.7 of this Prospectus, while details of the land are as follows:

Title number	Land area (acres)	Type	Amount of lease (RM)	Tenure of lease (years)	Remaining lease (years)
CL 075382106	15.15	To be acquired	303,000	99	76
CL 075375665	5.32	To be acquired	106,400	99	74
CL 075487053	10.15	To be acquired	203,000	99	92
CL 075371087	13.38	To be acquired	535,200	99	75
NT 073026472	13.00	To be sub-leased	520,000	-	-
	<u>57.00</u>		<u>1,667,600</u>		

The Borneo Aqua Group is currently in the midst of identifying the suitable plots of land to be acquired for an additional 30 acres of land to be situated at Sg Sibuga Kecil, Kampung Sungai Kayu.

- (2) To enhance its R&D capabilities, and to improve and diversify its existing range of products, a sum of RM2.73 million will be utilised for the following:

	RM 000
(i) Purchase of an advance water monitoring system to obtain accurate data in relation to, amongst others, water salinity, temperature, dissolved oxygen level and pH for R&D purpose	1,170.0
(ii) Purchase of a set of sophisticated microscope for recording and analysis purpose	60.0
(iii) Acquisition of various species of broodstocks for R&D purpose	1,500.0
	<u>2,730.0</u>

- (3) The Group projected a rapid growth in the near future. As a result thereof, the size of its administrative, operations, R&D and marketing expenses are projected to rise in the near future. Hence, the Group will utilise approximately RM2.243 million of the total gross proceeds for its working capital requirements to finance the day to day operations of the Group and to facilitate any future expansion.

- (4) The estimated listing expenses including brokerage, underwriting commission and placement fees relating to the Issue Shares. Out of the RM2.2 million estimated listing expenses, approximately RM800,000 is provided for professional fees for services rendered by advisers.

Any differences between the actual capital expenditure, expenditure for R&D and estimated listing expenses will be funded from or used as working capital, as the case may be.

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

3.10 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

Brokerage is payable by the Company at the rate of 1% of the issue price of RM0.99 per Issue Share in respect of successful applications which bear the stamps of CIMB, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

The Underwriter has agreed to underwrite 2,500,000 of the Issue Shares pursuant to the underwriting agreement entered into between the Company and the Underwriter on 13 July 2005. Underwriting commission is payable by the Company at the rate of 1.75% of the issue price of RM0.99 per Issue Share.

The Placement Agent has agreed to place out 22,500,000 Issue Shares which are reserved for the identified investors. Placement fees shall be payable by the Company to the Placement Agent at the rate of up to 1.75% of the issue price of RM0.99 per Issue Shares.

3.11 DETAILS OF THE UNDERWRITING AGREEMENT

An underwriting agreement was entered into between Borneo Aqua and CIMB ("Underwriter") on 13 July 2005 ("Underwriting Agreement") to underwrite the 2,500,000 Issue Shares available for application by the Malaysian public, and eligible Directors and employees of the Borneo Aqua Group ("Underwritten Shares").

The following is an extract of the salient terms of the Underwriting Agreement:

- (i) the agreement of the Underwriter to underwrite the Underwritten Shares is entered into on the basis of the warranties, representations and undertakings of the Company in Clauses 3.1 and 3.2 of the Underwriting Agreement.
- (ii) in the event of:
 - (a) any breach of the warranties or representations set out in the Underwriting Agreement; or
 - (b) failure on the part of the Company to perform any of the obligations contained in the Underwriting Agreement; or
 - (c) any change rendering any of the said warranties or representations inaccurate in any respect; or
 - (d) if any material information has been withheld and coming to the notice of the Underwriter prior to the last date for acceptance and receipt of application for the subscription to the Issue Shares or such other later date as the Company and the Underwriter may agree upon ("Closing Date"); or
 - (e) the coming into force of any laws, regulations or directive which has or is likely to involve a prospective material and adverse change in the condition (financial or otherwise) of the Company or any of its subsidiaries (if any) from that set forth in this Prospectus; or
 - (f) the Underwriter is of the opinion that there has been an adverse change in the business and/or the condition of the Company or any of its subsidiaries (if any) from that set forth in this Prospectus; or
 - (g) the Underwriter is of the opinion that there has been such a change in national or international monetary, financial, political or economic conditions or in exchange control or in currency exchange rates as would in their reasonable opinion be likely to prejudice materially the success of the Public Issue and the distribution of the Issue Shares (whether in the primary market or in respect of dealings in the secondary market) or in event of war or the declaration of a state of national emergency; or

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

- (h) the approval-in-principle of Bursa Securities for the listing of and quotation for the Issue Shares on the MESDAQ Market of Bursa Securities is withdrawn or not procured; or
- (i) the success of the Public Issue is seriously jeopardised by the Kuala Lumpur Composite Index falling below six hundred and fifty (650) points and remaining below six hundred and fifty (650) points for three (3) consecutive market days at any time between the effective date of this Underwriting Agreement and the Closing Date,

the Underwriter shall be entitled to treat such breach, failure or change as releasing or discharging it from its obligations hereunder and will be entitled to terminate the Underwriting Agreement by giving a written notice to the Company.

- (iii) The several obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon:
 - (a) the Underwriting Agreement being signed by all parties herein and duly stamped;
 - (b) that the placement letters be signed and given to CIMB, being the Placement Agent for by the respective places according to the terms and conditions in the placement letter with regards to the Issue Shares in Recital D(c) of the Underwriting Agreement;
 - (c) the lodgment and acceptance for registration with the Registrar of Companies and the SC respectively of the Prospectus together with copies of all documents required under Section 42 of the Act prior to the issuance of the Prospectus to the public;
 - (d) the issuance of the Prospectus to the public (including advertisement of the Prospectus and all other procedures, requirements, letters and documents required under Chapter 8 of the Listing Requirements) have been complied with within three (3) months from the date hereof or such extension as consented by the Underwriter;
 - (e) all necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been obtained and are in full force and effect;
 - (f) the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 14 of the Underwriting Agreement;
 - (g) the delivery to the Underwriter prior to the date of registration of the Prospectus of:
 - (aa) a copy certified as true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus; and
 - (bb) a certificate dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 4.1(e) of the Underwriting Agreement;

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

- (h) the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Company or its subsidiary (if any); and
 - (i) the Underwriter being satisfied that the Company will, following completion of the Public Issue, be admitted to the official list and its entire enlarged ordinary share capital listed and quoted on the MESDAQ Market of Bursa Securities without undue delay.
- (iv) In the event any of the conditions set forth in Clause 4.1 of the Underwriting Agreement are not satisfied, the Underwriter shall, subject as mentioned below, thereupon be entitled to terminate the Underwriting Agreement by notice given to the Company not later than one (1) day after the Closing Date and upon such termination, the liabilities of the Company and the Underwriter shall become null and void and none of the parties shall have a claim against the other save that each party shall return any and all monies paid to the other or others (without interest) under the Underwriting Agreement within seventy two (72) hours of the receipt of such notice (except for monies paid by the Company for the payment of the expenses as provided in Clause 14 of the Underwriting Agreement). The Underwriter reserves the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriter's rights under the Underwriting Agreement.
- (v) It will be an event of force majeure if in the reasonable opinion of the Underwriter, there shall have occurred, happened or come into effect any of the following circumstances:
- (a) any change in the national or international monetary, financial (including stock market conditions and interest rates) political or economic conditions or exchange control or currency exchange rates; or
 - (b) any change or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the above mentioned events or occurrences; or
 - (c) any matter which had arisen immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted a material omission in the context of the Public Issue; or
 - (d) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities contained under the Underwriting Agreement; or
 - (e) any material change in any law, regulation, directive, policy or ruling in any jurisdiction which seriously affects or will seriously affect the business of the Borneo Aqua Group; or

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

- (f) any events or series of events beyond the reasonable control of the Underwriter including (without limitation) acts of government, national disorder, declaration of a state of national emergency, strikes, lock-outs, armed conflict or serious threat of the same, hostilities, mobilization, blockade, embargo, detention, revolution, riot, looting or other labour disputes, any unavailability of transportation or severe economic dislocation, fire, explosion, flooding, earthquake, typhoon, tidal wave, lightning, tempest, civil commotion, acts of war, sabotage, epidemic or disease, acts of God, acts of terrorism or accidents which has or likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Underwritten Shares; or
 - (g) the imposition of any moratorium, suspension or material restriction on trading in securities generally in Bursa Securities due to exceptional financial circumstances.
- (vi) The consequences of force majeure are as follows:
- (a) in the event of a force majeure under Clause 13.1 of the Underwriting Agreement, the Underwriter may, subject to prior consultation with the Company, at any time prior to the Closing Date:
 - (aa) terminate the Underwriting Agreement by notice to the Company; or
 - (bb) vary the terms and conditions of the Underwriting Agreement. For the avoidance of doubt, this option is subject to the prevailing market conditions after the occurrence of the force majeure event and the Underwriter is of the opinion that the market condition then prevailing is, in its absolute and unfettered discretion, not conducive for it to undertake the underwriting of the shares; or
 - (cc) request that the Closing Date be extended to such reasonable date as the Underwriter may decide.
 - (b) upon delivery of the notice under Clause 13.2(a)(i) of the Underwriting Agreement, the Underwriting Agreement will terminate and thereafter each party's rights and obligations will cease and none of the parties will have any claim against each other, except to the provisions as stipulated under Clause 14 of the Underwriting Agreement.
 - (c) upon delivery of a request under Clause 13.2(a)(iii) of the Underwriting Agreement, the Company will procure that the Closing Date be extended as requested.
 - (d) the delivery of a request under Clause 13.2(a)(iii) of the Underwriting Agreement will not preclude the giving of further request under Clause 13.2(a)(iii) of the Underwriting Agreement or the giving of a notice under Clause 13.2(a)(i) of the Underwriting Agreement.

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

3.12 APPROVALS AND CONDITIONS FROM AUTHORITIES

The approvals for the Acquisition, Capitalisation of Debts, Rights Issue, Public Issue, Bonus Issue and Listing were obtained from Bursa Securities on 25 January 2005; SC on behalf of the FIC on 25 January 2005; and SC on 25 January 2005, 23 March 2005 and 27 April 2005. The conditions imposed by Bursa Securities, SC on behalf of FIC and SC and the status of compliance are set out as follows:

Authority	Details of conditions imposed	Status of compliance
Bursa Securities via its letter dated 25 January 2005	<p>(a) The Proposed Capitalisation of Debts is to be settled by the following:</p> <p>(i) Via issuance of shares priced at the Issue Price; or</p> <p>(ii) Repayment in cash by the Company prior to listing of Borneo Aqua; or</p> <p>(iii) Exclude the Proposed Capitalisation of Debts from the Listing Proposal;</p> <p>(b) The Proposed Rights Issue is to be priced at the Issue Price or excluded from the Listing Proposal;</p> <p>(c) Receipt of TOL for land known as P.T. 20-02070385 situated in Pulau Berhala, Sandakan and issuance of letter of undertaking from Datuk Lo Fui Ming to transfer the said land to the Company;</p> <p>(d) Disclosure in the Prospectus on risks relating to infringement and/or breach of security with respect to the Company's intellectual property and assets;</p> <p>(e) Disclosure in the Prospectus on measures undertaken to protect the Company's proprietary technology and intellectual property rights;</p> <p>(f) Disclosure in the Prospectus on the Executive Directors' allocated time towards managing the business and operations of Borneo Aqua vis-à-vis the other businesses;</p> <p>(g) Disclosure in the Prospectus on the rationale of the Company in undertaking the related party transactions with Datuk Lo Fui Ming and the benefits accruing to the Company arising from the Company entering into the above transactions;</p>	<p>The SC has via its letter dated 23 March 2005 approved the appeal made by Borneo Aqua and allows Borneo Aqua to capitalise the debts via the issuance of Borneo Aqua Shares at par.</p> <p>The SC has via its letter dated 23 March 2005 approved the appeal made by Borneo Aqua and allows Borneo Aqua to undertake the rights issue at par.</p> <p>Complied. The TOL has been issued under Plentiful's name.</p> <p>Disclosed in Section 4.18 of this Prospectus.</p> <p>Disclosed in Section 4.18 of this Prospectus.</p> <p>Disclosed in Section 6.1.6 of this Prospectus.</p> <p>Disclosed in Section 11.2 of this Prospectus.</p>

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

Authority	Details of conditions imposed	Status of compliance
Bursa Securities via its letter dated 25 January 2005 (Cont'd)	(h) Disclosure in the Prospectus on risk of conflict of interest arising from Tai Kun-Tsai's substantial shareholding in Long Diann Trading Pte Ltd (now known as Long Diann Marine Bio Technology Co Ltd) ("Long Diann");	Disclosed in Section 4.23 of this Prospectus.
	(i) Disclosure in the Prospectus on mitigating factors with respect to possible conflict of interest and competition from Long Diann;	Disclosed in Section 11.3 of this Prospectus.
	(j) Submission of the latest available audited accounts subsequent to the financial year ended 31 March 2004, and certification by the auditors of the breakdown of revenue contribution of the Group's proprietary technology, where at the revenue contribution from the Group's proprietary technology is to be significant;	Submitted to Bursa Securities on 16 May 2005.
	(k) Disclosure in the Prospectus on risks relating to dependence on key customers; and mitigating factors and measures undertaken by the Group to minimise or reduce risks relating thereto;	Disclosed in Section 4.12 of this Prospectus.
	(l) Borneo Aqua to include a negative statement in its Prospectus on the exclusion of profit forecast and projections from the Prospectus and the reasons thereof; and	Disclosed in Section 12.4 of this Prospectus.
	(m) Borneo Aqua to inform the Exchange on the appointment of Independent Directors, and to provide confirmation that they qualify as Independent Directors as defined in the Listing Requirements.	Submitted to Bursa Securities on 16 May 2005.
SC and SC on behalf of FIC via its letter dated 25 January 2005	(a) In relation to the properties CL 075382106, CL 075375665, CL 075487053, CL 075402256, CL 075371087 (60.69 acres aquaculture fish farm situated at Sg. Sibuga Kecil/Obar, Kg. Kayu, Sandakan):	
	(i) Borneo Aqua to obtain the approval for the change of Special Conditions to the use suitable for aquaculture fish farming within 1 year from the date of approval herein;	Approval has been obtained for the change of use of land to aquaculture for CL 075402256. Borneo Aqua will apply for the approval to change the use of the other 4 parcels of land to aquaculture once it has completed the acquisition of the said land.
	(ii) Borneo Aqua to make quarterly announcement on the status of application to Bursa Securities;	To be complied.

3. DETAILS OF THE PUBLIC ISSUE (CONT'D)

Authority	Details of conditions imposed	Status of compliance															
SC and SC on behalf of FIC via its letter dated 25 January 2005 (Cont'd)	(iii) Borneo Aqua to update SC on the status of the application when such announcements are made to Bursa Securities;	To be complied.															
	(iv) Borneo Aqua is required to meet the 30% Bumiputera equity requirement within 1 year after it has achieved the profit record required for a listing on the Second Board of Bursa Securities or 5 years after being listed on MESDAQ Market, whichever is the earlier, in which the shares to be allocated to Bumiputera investors should be approved by the Ministry of International Trade and Industry ("MITI").	To be complied.															
	(v) Borneo Aqua to submit a preliminary proposal to SC on how the company proposes to meet the Bumiputera equity condition, 6 months before the expiry date of the compliance.	To be complied.															
	(b) CIMB/Borneo Aqua to inform SC upon completion of the proposed flotation scheme.	To be complied.															
	(c) The equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in Borneo Aqua would change arising from the implementation of the proposals, as follows:	Noted.															
	<table border="1"> <thead> <tr> <th></th> <th>%</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Bumiputera</td> <td>-</td> <td>-</td> </tr> <tr> <td>Non-Bumiputera</td> <td>100.00</td> <td>91.27</td> </tr> <tr> <td>Foreign</td> <td>-</td> <td>8.73</td> </tr> <tr> <td>Total</td> <td>100.00</td> <td>100.00</td> </tr> </tbody> </table>		%	%	Bumiputera	-	-	Non-Bumiputera	100.00	91.27	Foreign	-	8.73	Total	100.00	100.00	
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SC via its letter dated 23 March 2005	Shares held by promoters amounting to 51% of the issued and paid-up share capital of Borneo Aqua at the date of admission to the MESDAQ Market and any interest in such shares may not be sold, transferred or otherwise disposed of for 1 year from the date of admission to the MESDAQ Market. Thereafter, the promoters may sell, transfer or otherwise dispose of up to a maximum of one-third of their respective shareholdings per annum on a straight line basis of their respective shareholdings under moratorium.	Complied. Details of the moratorium are set out in Section 10 of this Prospectus.															

Further, based on Borneo Aqua Group's latest audited financial statements for the financial year ended 31 March 2005 and for the purpose of the Public Issue, the SC's Syariah Advisory Council (Majlis Penasihat Syariah Suruhanjaya Sekuriti) has via its letter dated 20 May 2005, classified Borneo Aqua's securities as Syariah-compliant. The classification is valid until a reassessment is made by the SC based on the next audited financial statements of the Borneo Aqua Group.