

**BORNEO AQUA HARVEST BERHAD (649504-D)**  
(Incorporated in Malaysia)  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2007**

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE QUARTER ENDED 31 DECEMBER 2007**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter ended 31.12.2007 RM'000	Quarter ended 31.12.2006 RM'000	Year to date 31.12.2007 RM'000	Year to date 31.12.2006 RM'000
Revenue	11	2,005	826	2,192
Cost of Sales	(78)	(1,513)	(1,762)	(1,684)
Gross (Loss) / Profit	(67)	492	(936)	508
Other Income	94	33	110	206
Other expenses	(306)	-	(703)	-
Distribution Costs	-	(55)	(29)	(73)
Administrative Expenses	(517)	(367)	(1,307)	(963)
(Loss) / Profit from Operations	(796)	103	(2,865)	(322)
Finance Costs	(62)	(4)	(78)	(11)
(Loss) / Profit Before Taxation	(858)	99	(2,943)	(333)
Income Tax Expense	-	(12)	-	(60)
(Loss) / Profit for the Period	(858)	87	(2,943)	(393)
Attributable to:				
Equity holders of the parent	(858)	87	(2,943)	(393)
Minority interests	-	-	-	-
	(858)	87	(2,943)	(393)
(Loss) / Profit per Share attributable to equity holders of the parent (sen)				
- Basic	(0.26)	0.03	(0.94)	(0.13)
- Diluted	-	-	-	-

*Note:*

*The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and accompanying explanatory notes to the interim financial statements.*

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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007**

	As at 31.12.2007 RM'000	As at 31.03.2007 RM'000 (Restated)
<b>Non-Current Assets</b>		
Property, plant and equipment	21,842	19,963
Prepaid lease payments	1,857	1,883
Biological assets	3,521	2,907
Deferred tax assets	120	119
Intangible assets	575	672
	27,915	25,544
<b>Current Assets</b>		
Inventories	843	382
Biological assets	13,827	4,426
Trade receivables	48	4,035
Other receivables	1,645	757
Fixed deposits placed with a licensed bank	8,066	2,008
Tax refundable	63	51
Cash and bank balances	1,348	1,479
	25,840	13,138
<b>Total Assets</b>	53,755	38,682
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	33,000	30,000
Share premium	13,131	359
Retained earnings	2,714	6,707
Foreign currency translation reserve	(99)	-
<b>Total equity</b>	48,746	37,066
<b>Non-Current Liabilities</b>		
Hire purchase payables	185	122
Deferred tax liabilities	239	239
	424	361
<b>Current Liabilities</b>		
Trade and other payables	1,638	1,119
Hire purchase payables	160	136
Bank overdraft	2,787	-
	4,585	1,255
<b>Total liabilities</b>	5,009	1,616
<b>TOTAL EQUITY AND LIABILITIES</b>	53,755	38,682
<b>Net asset per share attributable to ordinary equity holder ( sen )</b>	14.77	12.36

*Note:*

*The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and accompanying explanatory notes to the interim financial statements.*

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 31 DECEMBER 2007**

	Share Capital	Share Premium	Foreign Currency Translation Reserves	Distributable Retained Earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 April 2006	30,000	359	-	4,995	35,354
Net profit for the year	-	-	-	2,762	2,762
Dividend paid	-	-	-	(1,050)	(1,050)
As at 31 March 2007	<u>30,000</u>	<u>359</u>	<u>-</u>	<u>6,707</u>	<u>37,066</u>
As at 1 April 2007	30,000	359	-	6,707	37,066
Issue of shares	3,000	13,050	-	-	16,050
Transaction cost	-	(278)	-	-	(278)
Net loss for the period	-	-	-	(2,943)	(2,943)
Dividend	-	-	-	(1,050)	(1,050)
Foreign currency translation	-	-	(99)	-	(99)
As at 31 December 2007	<u>33,000</u>	<u>13,131</u>	<u>(99)</u>	<u>2,714</u>	<u>48,746</u>

*Note:*

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and accompanying explanatory notes to the interim financial statements.*

**BORNEO AQUA HARVEST BERHAD (649504-D)**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE QUARTER ENDED 31 DECEMBER 2007**

	Quarter ended 31.12.2007 RM'000	Quarter ended 31.12.2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(2,943)	(333)
Adjustment for:		
Non cash items	1,752	780
Operating profit before working capital changes	<u>(1,191)</u>	<u>447</u>
Net changes in current assets	(6,761)	(1,564)
Net changes in current liabilities	520	861
Net cash used in operating activities	<u>(7,432)</u>	<u>(256)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(3,378)	(10,129)
Additions of biological assets	(608)	(1,040)
Acquisition of subsidiaries, net of cash acquired	-	*
Development expenditure	(6)	(150)
Net cash used in investing activities	<u>(3,992)</u>	<u>(11,319)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	16,050	-
Share issue expense	(278)	-
Dividend paid	(1,050)	(1,050)
Payment of hire purchase payables	(124)	(93)
Overdraft interest	(66)	-
Interest income	110	206
Payment for taxation	(13)	(68)
Net cash from / (used in) financing activities	<u>14,629</u>	<u>(1,005)</u>
Net increase / (decrease) in cash and cash equivalents	3,205	(12,580)
Effect on foreign exchange translation differences	(64)	-
Cash and cash equivalents at beginning of period	<u>3,487</u>	<u>16,130</u>
Cash and cash equivalents at end of period	<u><u>6,628</u></u>	<u><u>3,550</u></u>

Notes:

\* Denotes RM2.

*The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and accompanying explanatory notes to the interim financial statements.*

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

**1. Basis of Preparation and Accounting Policies**

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134 - Interim Financial Reporting and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007. These explanatory notes attached to the interim financial statements provides an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2007.

**2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those adopted in the preparation of the audited financial statements for the year ended 31 March 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 October 2006:

FRS 117 Leases  
FRS 124 Related Party Disclosures

The adoption of FRS 124 did not have any significant financial impact on the Group. The adoption of the revised FRS 117 resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. Prior to 1 April 2007, leasehold land was classified under property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Long leasehold land with an unexpired lease term of more than 50 years was not amortised as the directors are of the opinion that the non-amortisation of long leasehold land has no material effect on the financial statements. Upon the adoption of revised FRS 117 at 1 April 2007, upfront payments made for leasehold land represent prepaid lease payments and are amortised on a straight-line basis over the lease term. As allowed by the transitional provision of FRS 117, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments. The classification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed in Note 3, certain comparative amounts as at 31 March 2007 have been restated.

**3. Comparatives**

The following comparative amounts have been restated due to the adoption of new/revised FRSs:

	Previously stated RM'000	FRS 117 RM'000	Restated RM'000
Property, plant and equipment	21,846	(1,883)	19,963
Prepaid lease payments	-	1,883	1,883

**4. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited financial statements for the financial year ended 31 March 2007 was not qualified.

**5. Seasonal and Cyclical Factors**

The results of the Group were not materially affected by any significant seasonal and cyclical factors during the quarter under review.

**6. Unusual Items due to their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

**7. Changes in Estimates**

There were no changes in estimates of amounts that have a material effect in the current quarter results.

**8. Debts and Equity Securities**

Save for the issuance of 30,000,000 new ordinary shares on 6 September 2007 pursuant to a private placement exercise by the Company ("Private Placement"), there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year-to-date.

**9. Dividend Paid**

No dividends were declared or paid during the quarter under review.

**10. Segmental Reporting**

Not applicable as the Group is principally operating in one industry.

**11. Carrying Amount of Revalued Assets**

There were no brought forward valuations of property, plant and equipment from the financial year ended 31 March 2007 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

## 12. Subsequent Events

There were no material events subsequent to the end of current quarter that has not been reflected in the interim financial statements.

## 13. Changes in Composition of the Group

As announced on 13 August 2007, the Company had, through its wholly-owned subsidiary, Plentiful Harvest Sdn Bhd, acquired one ordinary share of HKD 1 representing the entire issued and paid up capital of Well Sky Logistics Limited ("WSLL"), a company incorporated in Hong Kong. The intended activity of WSLL is to own the live fish carrier (originally owned by Salient Horizon Sdn Bhd) for transporting live fishes to Hong Kong.

There were no changes in the composition of the Group during the quarter under review.

## 14. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 31 December 2007.

## 15. Review of Performance

The Group recorded a relative low revenue and gross loss of RM11,000 and RM67,000 respectively for the current quarter.

As a result of the lower revenue and higher cost and expenses which were in line with the expansion of the Group's operation, the Group recorded a net loss of RM0.858 million. The lower revenue recorded is in line with the Group's strategy to grow its fishes in order to be able to start selling at their optimum size/weight from the fourth quarter of the financial year.

## 16. Comments on Material Change in Loss Before Taxation

Revenue for the third quarter ended 31 December 2007 decreased to RM11,000 as compared to RM12,000 recognised in the second quarter ended 30 September 2007. The lower revenue is in line with the Group's strategy to grow its fishes in order to be able to start selling at their optimum size/weight from fourth quarter of the financial year.

The lower revenue recorded by the Group in the current quarter as explained above, had resulted in the Group incurring a net loss of RM0.858 million as compared to a net loss of RM1.783 million in the second quarter of its financial year.

## 17. Company's Prospects for the current financial year

Barring any unforeseen circumstances, the Board of Directors expects satisfactory results for the current financial year after taking into consideration of the expected sales in the fourth quarter at the financial year and the improved results of the Group's hatchery operations.

In January 2008, the Group has shipped over 15.1 tonnes of live fishes to Hong Kong which contributed over RM2 million in revenue while in February 2008, the Group has shipped over 13.6 tonnes of live fishes to Hong Kong.

## 18. Variance on Profit Forecast

No profit forecast was announced or published by the Group, hence, no comparison is made between actual and forecast results.

## 19. Income Tax Expense

No taxation has been provided for in the current quarter as the Group recorded a loss for the quarter ended 31 December 2007. Two subsidiary companies of the Company namely, Plentiful Harvest Sdn Bhd and Marine Terrace Sdn Bhd 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.

## 20. Profit or Loss on Sale of Unquoted Investment and/or Properties

There were no sales of unquoted investments and/or properties for the current quarter and financial year-to-date.

## 21. Quoted Securities

There were no purchases or disposals of quoted securities by the Group in the current quarter and financial year-to-date and there were no investment in quoted shares as at the end of the quarter.

## 22. Corporate Proposals

### a) Utilisation of the proceeds from the Initial Public Offering

The status of the utilisation of the gross proceeds from the Company's Initial Public Offering as at 31 December 2007 are as follows:

	Approved Utilisation	Amounts Utilised	Amount Unutilised	Intended Timeframe for Utilisation
	RM'000	RM'000	RM'000	
Capital expenditure	15,442.6	14,582.9	859.7	By 31 March 2008
Expenditure for research and development	1,560.0	*1,511.8	-	
Amount approved for acquisition of a second hand live fish carrier	2,500.0	*1,941.3	-	
Working capital	3,597.9	3,597.9	-	
Listing expenses	2,200.0	*1,904.6	-	
Balance utilised as working capital	-	*902.3	-	
	<u>25,300.5</u>	<u>24,440.8</u>	<u>859.7</u>	

Note:

\* The balance of the expenditure for research and development, listing expenses and part of the amount approved for acquisition of a second hand live fish carrier vessel have been utilised as working capital.

...the net amount of proceeds from the sale of the property is RM0.8 million.

The unutilised proceeds amounting to RM0.8 million are placed with a licensed bank in the form of fixed deposit.

b) Utilisation of Private Placement Proceeds

On 6 September 2007, pursuant to the Private Placement, the Company issued 30,000,000 ordinary shares of RM0.10 each to identified placees. The proceeds from the Private Placement will be utilised for the expansion of the Group's rearing capacity and to provide additional working capital for the Group. As at 31 December 2007, the status of the utilisation of the said gross proceeds are as follows:

	Proceeds Raised RM'000	Amounts Utilised RM'000	Amount Unutilised RM'000
Construction of sea cages	2,500.0	-	2,500.0
Working capital	13,250.0	9,347.2	3,902.8
Private Placement expenses	300.0	278.0	*22.0
	<u>16,050.0</u>	<u>9,625.2</u>	<u>6,424.8</u>

\*The balance of the private placement expenses not used will be utilised as working capital.

Part of the unutilised proceeds amounting to RM6.425 million are placed with a licensed bank in the form of fixed deposit.

- c) On 24 December 2007, Borneo Aqua announced that Plentiful Harvest Sdn Bhd, a wholly-owned subsidiary of Borneo Aqua had entered into a Sub-Lease Agreement with Datuk Lo Fui Ming, the Managing Director and a substantial shareholder of the Company to lease a piece of land measuring approximately 1.329 hectares comprised in Native Title No. 113077026 and situated at Kg. Terusan in the district of Lahad Datu in the State of Sabah, Malaysia for RM300,000 for a period of thirty (30) years ("Proposed Sub-Lease"). The said land is currently being used by the Group for setting up a nursery centre, construction of concrete ponds for hatching fish fry and labour quarters.

The proposed Sub-Lease is expected to be completed by second quarter of 2008.

23. Borrowings

The Group's borrowing, which is secured, as at the end of the current quarter is as follows:

	As at 31.12.2007 RM'000	As at 31.03.2007 RM'000
Short term borrowing:		
Hire purchase payables	160	136
Bank overdraft	<u>2,787</u>	<u>-</u>
	<u>2,947</u>	<u>136</u>
Long term borrowing:		
Hire purchase payables	<u>185</u>	<u>122</u>

The borrowing is denominated in Ringgit Malaysia.

24. Off Balance Sheet Financial Instruments

As at the date of this report, there are no off balance sheet financial instruments.

25. Material Litigation

As at the date of this report, there are no pending material litigations.

27. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit for the financial period / year under review by the weighted average number of ordinary shares in issue during the period / year.

	Current Quarter 31.12.2007	Preceding Year Corresponding Quarter 31.12.2006	Current Year-To-Date 31.12.2007	Preceding Year-To-Date 31.12.2006
Net loss for the period (RM'000)	(858)	87	(2,943)	(393)
Weighted average number of ordinary shares in issue ('000)	330,000	300,000	312,764	300,000
Basic loss earnings per share (sen)	(0.26)	0.03	(0.94)	(0.13)
Diluted loss earnings per share (sen)*	-	-	-	-

\* The Group has no potential ordinary shares in issue as at end of the current quarter and therefore, diluted earnings per share has not been presented.

As at the end of the quarter, there was only one class of shares in issue and they rank pari passu with each other.

28. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2008.

By Order of the Board

Kang Shew Meng  
Seow Fei San  
Chong Tzu Khen  
Company Secretaries

Sandakan



25 February, 2008