

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter ended 30.09.2010 RM'000	Quarter ended 30.09.2009 RM'000	Year to date 30.09.2010 RM'000	Year to date 30.09.2009 RM'000
Revenue	2,930	4,087	2,940	4,193
Cost of Sales	(6,547)	(1,849)	(9,014)	(2,982)
Gross (Loss) / Profit	(3,617)	2,238	(6,074)	1,211
Other Income	5	12	14	29
Other expenses	(776)	(24)	(824)	(60)
Distribution Costs	(708)	(1,087)	(1,249)	(2,121)
Administrative Expenses	(936)	(484)	(1,359)	(863)
(Loss) / Profit from Operations	(6,032)	655	(9,492)	(1,804)
Finance Costs	(375)	(434)	(652)	(758)
(Loss) / Profit Before Tax	(6,407)	221	(10,144)	(2,562)
Income Tax Expense	-	-	-	-
(Loss) / Profit for the period	(6,407)	221	(10,144)	(2,562)
Other comprehensive loss:				
Foreign currency translation	(99)	(77)	(109)	(95)
Total comprehensive (loss) / profit for the period	(6,506)	144	(10,253)	(2,657)
(Loss) / Profit for the period attributable to:				
Equity holders of the parent	(6,407)	221	(10,144)	(2,562)
Minority interests	-	-	-	-
	(6,407)	221	(10,144)	(2,562)
Earnings per Share attributable to equity				
holders of the parent (sen)				
- Basic	(1.94)	0.07	(3.07)	(0.78)
- Diluted	-	-	-	-

Note:

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and accompanying explanatory notes to the interim financial statements.

BORNEO AQUA HARVEST BERHAD (649504-D)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010

	As at 30.09.2010 RM'000	As at 31.03.2010 (Restated) RM'000
Non-Current Assets		
Property, plant and equipment	41,081	41,478
Prepaid lease payments	1,164	1,186
Biological assets	4,703	4,577
Intangible assets	140	214
	47,088	47,455
Current Assets		
Inventories	585	324
Biological assets	20,512	18,941
Trade receivables	10,618	20,613
Other receivables	1,520	1,090
Tax refundable	121	117
Cash and bank balances	2,202	1,338
	35,558	42,423
Total Assets	82,646	89,878
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	33,000	33,000
Share premium	13,131	13,131
Retained earnings	7,393	17,537
Foreign currency translation reserve	(143)	(34)
Total equity	53,381	63,634
Non-Current Liabilities		
Borrowings	40	85
Deferred tax liabilities	1,980	1,980
	2,020	2,065
Current Liabilities		
Trade and other payables	4,727	1,980
Borrowings	22,518	22,199
	27,245	24,179
Total liabilities	29,265	26,244
TOTAL EQUITY AND LIABILITIES	82,646	89,878
Net asset per share attributable to ordinary equity holder (sen)	16.18	19.28

Note:

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and accompanying explanatory notes to the interim financial statements.

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UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

	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 2009	33,000	13,131	78	7,892	54,101
Total comprehensive income for the year	-	-	(112)	9,645	9,533
As at 31 March 2010	<u>33,000</u>	<u>13,131</u>	<u>(34)</u>	<u>17,537</u>	<u>63,634</u>
As at 1 April 2010	33,000	13,131	(34)	17,537	63,634
Total comprehensive loss for the period	-	-	(109)	(10,144)	(10,253)
As at 30 September 2010	<u>33,000</u>	<u>13,131</u>	<u>(143)</u>	<u>7,393</u>	<u>53,381</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 2010 and accompanying explanatory notes to the interim financial statements.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2010

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

	Quarter ended 30.09.2010 RM'000	Quarter ended 30.09.2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(10,144)	(2,562)
Adjustment for:		
Non cash items	3,859	2,831
Operating loss before working capital changes	<u>(6,285)</u>	<u>269</u>
Net changes in current assets	7,015	1,643
Net changes in current liabilities	2,749	2,568
Net cash from operating activities	<u>3,479</u>	<u>4,480</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of plant and equipments	1	-
Proceeds from disposal of broodstock	10	-
Purchase of plant and equipment	(1,903)	(3,120)
Additions of biological assets	(334)	(346)
Net cash used in investing activities	<u>(2,226)</u>	<u>(3,466)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of hire purchase payables	(115)	(125)
Overdraft interest	(210)	(118)
Loan interest	(435)	(629)
Interest income	3	*
Payment for taxation	(4)	-
Proceed from loan	-	572
Repayment of loan	(1,111)	(1,111)
Net cash used in financing activities	<u>(1,872)</u>	<u>(1,411)</u>
Net decrease in cash and cash equivalents	(619)	(397)
Effect on foreign exchange translation differences	(11)	(44)
Cash and cash equivalents at beginning of period	(2,904)	(1,813)
Cash and cash equivalents at end of period	<u>(3,534)</u>	<u>(2,254)</u>
Cash and cash equivalents comprise:		
Cash and bank balances	2,202	1,244
Bank overdraft	<u>(5,736)</u>	<u>(3,498)</u>
	<u>(3,534)</u>	<u>(2,254)</u>

Note:

*Denotes RM7 (30.09.2009)

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and accompanying explanatory notes to the interim financial statements.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

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") ACE Market Listing Requirement.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2010. 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 2010.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2010, except for the adoptions of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations:

Effective for financial periods beginning on or after 1 July 2009

- FRS 8 : Operating Segments

Effective for financial periods beginning on or after 1 January 2010

- FRS 4 : Insurance Contracts
- FRS 7 : Financial Instruments: Disclosures
- FRS 101 : Presentation of Financial Statements (revised)
- FRS 123 : Borrowing Costs
- FRS 139 : Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 : First-time Adoption of Financial Reporting Standards and FRS 127 : Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 : Share-based Payment - Vesting Conditions and Cancellations
- Amendments to FRS 132 : Financial Instruments: Presentation
- Amendments to FRS 139 : Financial Instruments: Recognition and Measurement, FRS 7 : Financial Instruments: Disclosures: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- Amendments to FRSs 'Improvements to FRSs (2009)'
- IC Interpretation 9 : Reassessment of Embedded Derivatives
- IC Interpretation 10 : Interim Financial Reporting and Impairment
- IC Interpretation 11 : FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13 : Customer Loyalty Programmes
- IC Interpretation 14 : FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TR I - 3 : Presentation of Financial Statements of Islamic Financial Institutions

Unless otherwise described below, the adoptions of the above FRSs, Amendments to FRSs and Interpretations do not have any significant impact to the interim financial statements of the Group:

(i) FRS 101 : Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statements of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present the condensed consolidated statement of comprehensive income in one single statement.

(ii) Amendment to FRS 117 : Leases

Amendment to FRS 117 : Lease clarifies on the classification of leases of land and buildings. The Group has reassessed and determined that certain leasehold lands of the Group which are in substance finance leases, has reclassified the leasehold lands to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance to the transitional provisions of the amendment. The following comparative figures have been restated following the adoption of the amendment:

At 31 March 2010	As previously reported RM'000	Effects of changes in accounting policies RM'000	As restated RM'000
Non-current assets			
Property, plant and equipment	40,156	1,322	41,478
Prepaid lease payments	2,508	(1,322)	1,186

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 March 2010 was not qualified.

3. 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.

4. 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.

5. Changes in Estimates

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

6. Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year-to-date.

7. Dividend Paid

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

8. Segmental Reporting

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

9. Carrying Amount of Revalued Assets

There were no brought forward valuations of property, plant and equipment from the financial year ended 31 March 2010 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

10. Subsequent Events

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

11. Changes in Composition of the Group

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

12. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 30 September 2010.

13. Review of Performance

The Group recorded a revenue and gross loss of RM2.930 million and RM3.617 million respectively for the current quarter.

The Group recorded a net loss of RM6.407 million mainly due to, in addition to lower revenue, the high mortality rate of one of the species under research (Asean Seabass), the write down of the value of fish fry to their net realisable value, and unrealised loss in foreign currency exchange due to strengthening of Ringgit Malaysia. The lower revenue is in line with the Group's strategy to sell its adult fishes during the festive seasons and to grow its fishes to optimum size / weight before selling them in order to demand better pricing and also to cater to customers' requirement, particularly in the third and fourth quarter of the financial year ending 31 March 2011.

Due to the reasons mentioned above, the Group recorded a net loss of RM6.407 million for the quarter ended 30 September 2010 as compared to a net profit of RM0.221 million in the corresponding period of last financial year.

14. Comments on Material Change in Profit Before Taxation

Revenue for the second quarter ended 30 September 2010 ("Q2") increased to RM2.930 million as compared to RM10,000 recognised in the first quarter ended 30 June 2010 ("Q1"). The increase is in line with the Group's strategy to sell its adult fishes during the festive seasons and to grow its fishes to optimum size/weight before selling them in order to demand better pricing and also to cater to customers' requirement.

Despite the higher revenue recorded for the quarter, the Group recorded a net loss of RM6.407 million due to the reasons mentioned in Section 13 above.

15. Company's Prospects

The Group expects that there will be continuing uncertainty in global market conditions, albeit improving, which will affect the consumer spending. However, with the stocks in hand coupled with the Group's improving hatching and rearing technology, the Board of Directors anticipates that the Group will be able to achieve a satisfactory result for the financial year ending 31 March 2011.

16. Variance on Profit Forecast

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

17. Income Tax Expense

No taxation has been provided for the current quarter and financial year-to-date. Two subsidiary companies of Borneo Aqua 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.

18. 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.

19. 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.

20. Corporate Proposals

There was no corporate proposal announced but not completed as at the date of this report.

21. Borrowings

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

	As at 30.09.2010 RM'000	As at 31.03.2010 RM'000
Short term borrowings:		
Hire purchase payables	116	179
Bank Loan	16,666	17,778
Bank overdraft	5,736	4,242
	<u>22,518</u>	<u>22,199</u>
Long term borrowing:		
Hire purchase payables	40	85
	<u>40</u>	<u>85</u>

The borrowings are denominated in Ringgit Malaysia.

22. Off Balance Sheet Financial Instruments

As at the date of this report, there are no off Balance Sheet Financial Instruments.

23. Material Litigation

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

24. Earnings Per Share

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

	Current Quarter 30.09.2010	Preceding Year Corresponding Quarter 30.09.2009	Current Year-To-Date 30.09.2010	Preceding Year-To-Date 30.09.2009
Loss for the period (RM'000)	(6,407)	221	(10,144)	(2,562)
Weighted average number of ordinary shares in issue ('000)	330,000	330,000	330,000	330,000
Basic loss earnings per share (sen)	(1.94)	0.07	(3.07)	(0.78)
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.

25. 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 26 November 2010.

By Order of the Board

Kang Shew Meng
Seow Fei San
Chong Tzu Khen
Company Secretaries

Sandakan
26 November, 2010