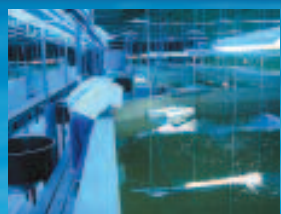


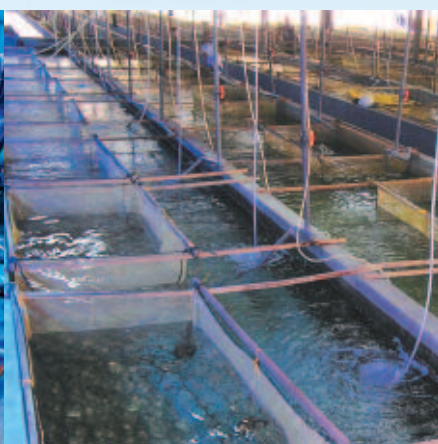
Annual Report 2006

A year of transformation



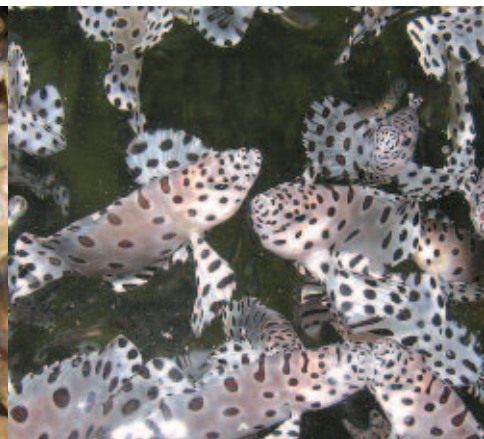


contents



corporate information	1
corporate profile	2
corporate structure	3
our vision & mission	3
chairman's statement	4
our achievements	6

directors' profiles	7
statement of corporate governance	9
audit committee report	13
statement of internal control	16
additional compliance information	18
financial statements	19



list of properties	55
analysis of shareholdings	56
notice of annual general meeting	58
statement accompanying notice of annual general meeting	60
form of proxy	61

corporate information

COMPANY SECRETARIES

CHONG TZU KHEN
KANG SHEW MENG
SEOW FEI SAN

AUDIT COMMITTEE

CHONG KHING CHUNG
Chairman

DATUK MD KAMAL BIN BILAL
Member

LO TECK YONG
Member

PRINCIPAL BANKER

Hong Leong Bank Berhad
Lot 1 - 3,
Block 18, Mile 4,
North Road, Bandar Indah,
90722, Sandakan, Sabah.

AUDITORS

Ernst & Young (AF: 0039)
Chartered Accountants
16th Floor, Wisma Khoo Siak Chiew,
Jalan Buli Sim Sim,
90000 Sandakan, Sabah.

BOARD OF DIRECTORS

DATUK MD KAMAL BIN BILAL
Independent Non-Executive Chairman

DATUK LO FUJ MING
Managing Director/Chief Executive Officer

LO KEN HIN
Executive Director

LO TECK YONG
Executive Director

AKINORI HOTANI
Executive Director

CHANG MEI-LIN @ TINA CHANG
Non-Executive Director

CHONG KHING CHUNG
Independent Non-Executive Director

DORA CHIU KUI TZU
Independent Non-Executive Director



REGISTERED OFFICE/ HEAD OFFICE

84E/16, Kampung Sungai Kayu,
Mile 7, Jalan Airport,
P.O. Box No. 2112,
90724, Sandakan, Sabah.
Tel: 089-674 211
Fax: 089-671 214

R&D CENTRE

84E/16, Kampung Sungai Kayu,
Mile 7, Jalan Airport,
P.O. Box No. 2112,
90724, Sandakan, Sabah.
Tel: 089-674 211
Fax: 089-671 214

SHARE REGISTRAR

Epsilon Registration Services Sdn Bhd
312, 3rd Floor,
Block C, Kelana Square,
17, Jalan SS7/26,
47301, Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03-7803 2116
Fax: 03-7806 1261

SOLICITORS

Teh & Lee
Unit 23-3, 3rd Floor,
The Boulevard,
Mid Valley City,
Lingkar Syed Putra,
59200 Kuala Lumpur.

SPONSOR

Commerce International Merchant
Bankers Berhad
7th Floor, Bangunan CIMB,
Jalan Semantan,
Damansara Heights,
50490 Kuala Lumpur.
Tel: 03-2084 8888

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia
Securities Berhad
Stock Name: BAHVEST
Stock Code : 0098



corporate profile

The Pioneer of Malaysia's Aquaculture New Frontier

Borneo Aqua Harvest Berhad ("Borneo Aqua") was incorporated on 16 April 2004 in Malaysia as a private limited company and was converted into a public company on 20 May 2004. Borneo Aqua was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 5 September 2005. Borneo Aqua has two wholly-owned subsidiaries, namely Plentiful Harvest Sdn Bhd ("Plentiful") and Marine Terrace Sdn Bhd ("Marine").

Plentiful was established with the focus on marine fish breeding, hatchery and rearing to support the local marine aquaculture industry to reduce dependence on foreign imported fish fry and fish whilst Marine is principally involved in the rearing of marine fish.

While other companies deal only with certain aspects of aquaculture processes, Borneo Aqua is an integrated aquaculture company which involves in the entire process of sustainable aquaculture i.e. broodstock management, research and development ("R&D"), breeding, hatching, rearing, productions of live feed, marketing, and training and consultancy services related to the industry.

The Group's integrated approach in developing high value marine fishes with the application of biotechnology has led it to commit to a comprehensive R&D programme and to employ skilled professionals to carry out its objectives. The Group's unmatched investments in this area will make it well placed to lead the industry in Malaysia and play a vital role in the Asia Pacific region in the near future.

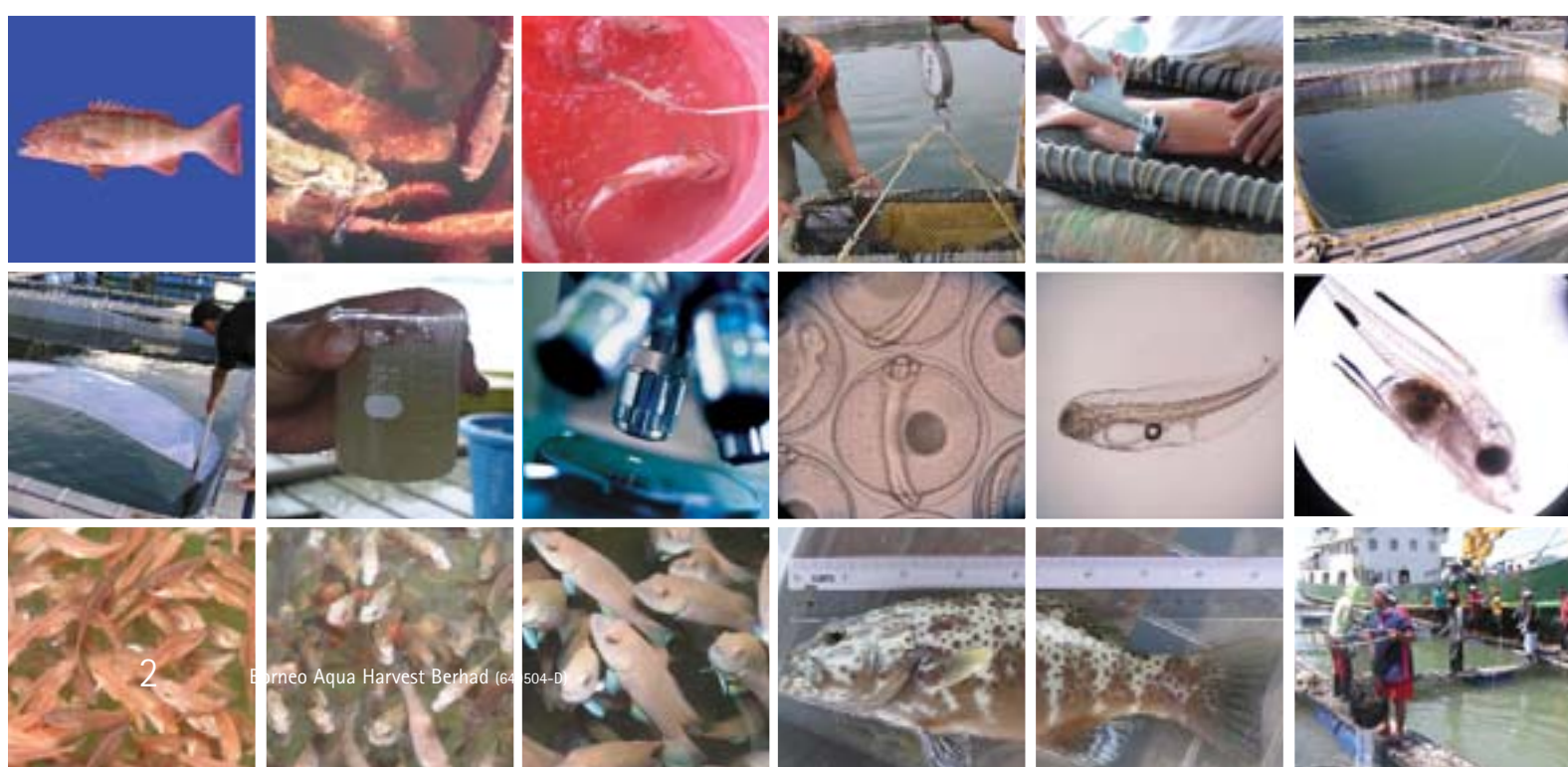
At present, the success in marine fish breeding and hatchery in the Asia Pacific region are confined to only few countries such as Taiwan and Australia. Currently, most of the marine fish fry such as groupers, for rearing purposes in Malaysia are mainly imported from Taiwan.

With the experience and with the injection of new funds through the listing exercise, Borneo Aqua is confident that it will be able to contribute positively to the country's aquaculture industry to enable it to join the few elite countries as a forefront of marine fish breeding in the Asia Pacific region, in line with the Government's inspiration of self sustainability in this sector. In addition, a successful aquaculture industry will contribute to Malaysian economic growth by creating employment and reducing import of marine fish fry and fish.

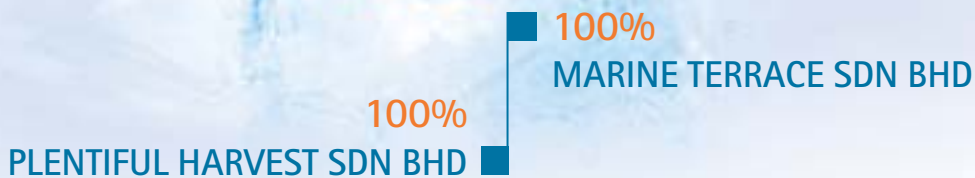
Plentiful has been acknowledged by the Fisheries Department of Sabah as the first company in Malaysia to have successfully mass produced Malabar Red Snapper, Marble Grouper and Coral Trout Grouper for commercial purposes.

Both 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.

THE COMPLETE BREEDING PROCESS AND HATCHERY PROCEDURE OF CORAL TROUT GROUPER



corporate structure



our vision & mission

VISION

We are committed to further improve and develop the marine aquaculture industry in Malaysia by:

ENHANCING THE COUNTRY'S RESEARCH AND DEVELOPMENT CAPABILITIES

in the breeding and hatchery of marine fish through sharing of knowledge with local universities and relevant organisations/bodies;

EDUCATING LOCAL FISH FARMERS

on breeding and hatchery of marine fish through training and consultancy services to be provided by the Company;

CREATING SUB-SECTORS

within the aquaculture industry or promoting new down stream industry such as marine fish feed industry and production of value-added fish products such as fish fillet for export market; and

IMPROVING THE LIVING STANDARDS

of fish breeders through rearing of a diversified and high commercial value marine fishes to be introduced by Borneo Aqua.

MISSION

We are also committed to be one of the market leaders in breeding and hatchery of high commercial value marine fish in the Asia Pacific region. In achieving this business objective, the Company will:

BROADEN ITS PRODUCT BASE

or species of fish through research by a highly trained and motivated research and development ("R&D") team

ENHANCE ITS R&D CAPABILITIES

through tie-ups with local or international universities and related organisations/bodies;

PROVIDE HIGH QUALITY PRODUCTS AND SERVICES

INCREASE ITS PRODUCTION CAPACITY; AND

ESTABLISH NEW AND IMPROVE

on its network of customers for its products, and to develop strategic marketing alliances with international wholesaler.

chairman's statement



Dear fellow shareholders,

On behalf of the Board of Directors ("Board") of Borneo Aqua Harvest Berhad ("Borneo Aqua"), I am pleased to present the Annual Report for the financial year ended 31 March 2006.

This has been an eventful year for Borneo Aqua as it was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 5 September 2005. This historic event is a beginning of a new chapter for Borneo Aqua as it embarks to strengthen its foothold in the local aquaculture industry and moving towards being one of the market leaders in the aquaculture industry in the Asia Pacific region.

Business and financial review

I am pleased to report that for the financial year ended 31 March 2006 ("FYE 2006"), Borneo Aqua and its subsidiaries ("Borneo Aqua Group" or "Group") recorded a higher revenue of RM6.406 million as compared to the proforma revenue of RM6.030 million for the financial year ended 31 March 2005 ("FYE 2005") despite interruption to the Group's operation for about four months caused by the relocation of the Group's hatchery and rearing operational bases during the year. The increase in revenue was mainly due to the higher volume of sales for the FYE 2006 as compare to the FYE 2005.

The Borneo Aqua Group had in January 2006 completed the construction of its new indoor hatchery centre at Pulau Palak, Sandakan which has a hatching capacity of approximately 2.5 million fish fry per month. With the completion of the new indoor hatchery, the Group had also relocated substantially its outdoor hatchery and nursery operations at Kampung Sungai Kayu, Sandakan and its entire breeding and rearing centre at Pulau Berhala, Sandakan to Pulau Palak and nearby Pulau Bai ("Relocation"). The Relocation was undertaken to take advantage of superior environmental condition at Pulau Palak and Pulau Bai for breeding and rearing purposes. The recent recorded results of the hatchery operations at Pulau Palak are very encouraging. In addition, the relocation will give rise to cost savings from centralisation of the Group's breeding, hatchery, nursery and rearing operations.

For the FYE 2006, the Group recorded a PBT and PAT of RM5.072 million and RM5.009 million respectively. The PAT includes a one-off

item amounting to RM2.226 million ("One-Off Item"), representing the recognition of the excess of the net fair value of identifiable assets and liabilities of its subsidiaries acquired over cost of investment of the subsidiaries acquired during the period. This treatment is consistent with practices recommended by Financial Reporting Standard ("FRS") 3.

The PBT for the FYE 2006 decreased marginally by 14.74% to RM2.846 million (excluding One-Off Item) from proforma PBT of RM3.338 million for the FYE 2005 while the PAT for the FYE 2006 decreased by 16.55% to RM2.783 million (excluding One-Off Item) from RM3.335 million for the FYE 2005. The decrease in PBT is mainly due to the higher depreciation and other operating expenses as the Group expands its operating activities.

Research and development

The Borneo Aqua Group believes that Research and Development ("R&D") is the key strategy to ensure sound fisheries development and management, as this will provide new knowledge and the technologies to improve productivity and competitiveness. For the FYE 2006, the Borneo Aqua Group continued to place much emphasis on R&D activities on new fish species which has potential for commercial fry production and rearing purposes.



chairman's statement (cont'd)

Current capacity and expansion plans

I am pleased to state that Borneo Aqua has over time, accumulated a large pool of various species of broodstocks and with the newly built indoor hatchery centre, the production capacity has increased to 2.5 million fish fry per month. In addition, the Group has also progressively increased the number of sea cages for its rearing activities in line with the increase in production of fish fry.

As part of its expansion plan and risk management program, the Group plans to expand its operations to other suitable location in Sabah and to venture into related downstream processing activities of suitable fish species to mass produce processed fishery products. In the near future, the Group also plans to venture into tuna farming and canning.

General outlook and future prospects

The fisheries sector is an important economic sector to the growing population in Malaysia as it continues to provide a vital source of animal protein and promotes rural development by providing employment. The consumption of fish in Malaysia is expected to increase by 14 per cent by 2010.

Under the Third National Agricultural Policy (1998-2010), the target is to annually produce 1.93 million tonnes of fish worth approximately RM8.3 billion beginning 2010. Aquaculture production is envisaged to increase four-fold to 600,000 tonnes by 2010, wherein 400,000 tonnes will be produced through mariculture (land and water based aquaculture) while 200,000 tonnes will be contributed by the development and expansion of freshwater fish industry. To expedite marine finfish production and realise the target production, there is a need for a quantum leap to a cultured system with higher production capacity.

By moving the Group's hatchery and rearing operational bases to Pulau Bai and Pulau Palak, the Group is well placed to take advantage of the expected growth of the industry in the region. The increased production capacity of high quality commercial value fish fry and rearing activities, and the improved operational efficiencies arising for the Relocation as mentioned above, the Board of Directors of Borneo Aqua

is optimistic of the Group's prospects and expects the operating results for the financial year ending 31 March 2007 and future financial years to be significantly better, barring any unforeseen circumstances.

Dividend

In line with the dividend policy of the Company, I am delighted to state that the Board of Directors has proposed a final tax-exempt dividend of 3.5% in respect of the financial year ended 31 March 2006, subject to shareholders' approval at the forthcoming Annual General Meeting. The amount of tax-exempt dividend declared as mentioned above represents approximately 38% of the Group's consolidated net profit, net of the One-Off Item amounting to RM2.226 million.

A note of appreciation

On behalf of the Board, I would like to take this opportunity to thank our staff and management of Borneo Aqua for their dedicated services and commitment in realising Borneo Aqua's objectives.

I would also like to thank our shareholders, our Sponsor, the Government of Sabah, Fisheries Department of Sabah and other relevant authorities, valuable customers and business partners for their persistent support.

Datuk Md Kamal bin Bilal
Chairman of the Board of
Borneo Aqua Harvest Berhad

our achievements

10 IPO Tracker

Fishing for opportunities abroad

By Yusof Yusoff

The second half of the year saw the first Sabah Harvesting (Borneo Aqua) IPO in the IPO market. The listing is viewed as the first of the government's push for private companies to go public. The listing is viewed as the first of the government's push for private companies to go public. The listing is viewed as the first of the government's push for private companies to go public.

CHIEF MINISTER OF SABAH LAUNCHES THE FIRST SABAH-BASED COMPANY AND FIRST INTEGRATED MARINE BIOTECHNOLOGY COMPANY TO BE LISTED ON MESDAQ MARKET

The ceremony was held in conjunction with the Company's flotation exercise to raise a total of RM18,050,542 through bonds to rights issue and Public Issue. Borneo Aqua is issuing a total of RM25,000,000 new ordinary shares at RM1.50 each of which 22,500,000 will be placed out to identified investors and 2,500,000 will be made available for application by the Malaysian public, eligible investors and employees and subsidiaries of Borneo Aqua.

The Company is one of the few integrated marine biotechnology companies in Malaysia which has been successful in the aquaculture industry and was acknowledged as the first company in Malaysia to have successfully mass produced fish by Marine Group, Malabar Hill Snapper and Coral Trout Company for commercial purposes. This is an important achievement, not just for Borneo Aqua but also for the fishery industry as a whole. Prior to Borneo Aqua's venture, most of the fish for rearing purposes in Malaysia were imported from Taiwan and Indonesia due to the limitation of local supply.

Chief Minister has studying left share offer

Chief Minister Datuk Musa Hj Aman has been launched Borneo Aqua Harvest Berhad ("Borneo Aqua"), the first Sabah-based and also first integrated company to be listed on the Mesdaq Market of Bursa Berhad.



Borneo Aqua set to expand capacity

By Yusof Yusoff

SABAH-BASED integrated marine aquaculture company Borneo Aqua Harvest Berhad is set to expand its capacity to meet the growing demand for marine biotechnology products. The company, which is currently in listing on the Mesdaq market next week, has marine biotechnology as its production process. The company's main products are snapper, coral trout and sea bream. The company is currently in listing on the Mesdaq market next week.

"The strength of our company lies in three factors: a good location which enables all-year round farming, low operation costs, and a good overall pollution-free environment," said Lo.

He also compared with other countries such as Taiwan (which is the biggest regional competitor), Malaysia did not have to contend with a four-season climate which was not conducive for fish farming.

"What is most important in this type of business is the breed stock management process and the ability to produce good quality fish," he said.

Lo said he was confident the fish produced by Borneo Aqua was of good quality as the company made it a point to use the best sea water as they are bred.

On competition, Lo said he did not consider how good his technology was as this was an industry which depended much on external factors such as the weather. "It does not matter how 'cheaper' you are, if there are constant typhoons in your country, your fish-breeding and production will be affected."

According to Lo, Borneo Aqua has tremendous growth potential on the back of world fish demand, which was estimated to increase in line with population and income growth.

He said fish was known worldwide as a good source of protein and food that almost everyone had to consume.

"Demand for fish is so great that it is actually higher than meat!" Lo said, adding that the highest demand for fish came from China and Hong Kong.

He said the company was targeting the South Korean market by next year and was also looking towards Japan for possible export opportunities.

On the longer-term plans of the company, Lo said Borneo Aqua was looking to build a hatchery to produce the parent stock. "This hatchery will be used to breed fish by which will be sold to local farmers," he said. Lo added that Borneo Aqua was also considering a joint-venture project with a Japanese sea-transportation company.

"After the launch of our prospectus earlier this month, we were approached by a Japanese company specializing in fish farming and rearing for a possible joint-venture project," said Lo.

"I will go to Japan to study the demand for coral trout in the country and, if everything goes well, we should be working with them."

Lo said the company was in the process of conducting research & development on several species for mass production and cultivation.

"I am very confident of the future of this company. We have the technology and good support from the state government."



directors' profiles



**Datuk Md Kamal
Bin Bilal**

Malaysian aged 43, is the Independent Non-Executive Chairman and member of the audit committee of Borneo Aqua and was appointed to the Board of Directors of Borneo Aqua on 9 May 2005. He entered the job market at the age of 20, serving as a Community Development Officer in the Ministry of National and Rural Development. After gaining 13 years of experience in the Government sector, he ventured into the automobile industry as a Proton Edar dealer in 1995. He was appointed as the Non-Executive Director of The Store Corporation Berhad in 2000 and was re-designated as Independent Non-Executive Chairman in 2001. He was also appointed as Independent Non-Executive Chairman of KBB Resources Berhad in 2003. Since 2000, he has been the Division Treasurer of the United Malay National Organization's Kepala Batas division.



Datuk Lo Fui Ming

Malaysian aged 50, is the Managing Director and Chief Executive Officer of Borneo Aqua and was appointed to the Board of Directors of Borneo Aqua on 9 May 2005. Upon completion of his secondary education, he started working in the timber industry and started his own logging company and was involved in various aspect of the timber industry including timber concession holding, logging contracting, timber trading and timber processing in 1980. In 1995, he ventured into the oil palm plantation industry. He was the Managing Director of Cepatwawasan Group Berhad ("Cepatwawasan"), a company listed on the Second Board of Bursa Securities, from 2001 to January 2004, 6 August 2004 to 1 April 2005 and was appointed as the Non-Executive Deputy Chairman until 21 July 2005. He also sits on the Board of several other private companies. He incorporated Plentiful and Marine for breeding, hatching and rearing of high commercial value marine fish, in 2001 and 2002 respectively.

As the Managing Director and Chief Executive Officer of Borneo Aqua, he is primary responsible for overseeing the overall business operations and development as well as formulation and implementation of the Borneo Aqua Group's corporate strategies. With over 30 years of experience in the business sector, he is the driving force of the Group.



Lo Ken Hin

Malaysian aged 48, is the Executive Director of Borneo Aqua and was appointed to the Board of Directors of Borneo Aqua on 9 May 2005. He is the director in charge of operations for Hatchery Centre and Rearing Centre of the Borneo Aqua Group. He is responsible for overseeing the breeding and hatching operations, purchasing and production planning. In 1977, he joined Syarikat Lo & Sons and was involved in the timber camp operations. From 1984 to 2001, he was the Executive Director for several timber companies. He has been a director of HHC Venture Sdn Bhd ("HHC") since 2003. HHC is principally involved in general contract works for plantation sector. In 2001, he joined his brother Datuk Lo Fui Ming to form Plentiful.

directors' profiles (cont'd)



Lo Teck Yong

Malaysian aged 25, is the Executive Director of Borneo Aqua and was appointed to the Board of Directors of Borneo Aqua on 9 May 2005. He is the director in charge of the marketing division of the Borneo Aqua Group. He oversees the Group's overall product marketing and services, and market development. He obtained a Bachelor of Science Degree majoring in Marketing from University of Surrey, United Kingdom in 2003. Upon his graduation in 2003, he embarked on a study tour to a few fish breeding centres in Taiwan, Republic of China and South Korea to expand his knowledge on fish breeding and marketing of fish and fish fry.



Akinori Hotani

Japanese aged 32, is an Executive Director of Borneo Aqua and was appointed to the Board of Directors of Borneo Aqua on 24 March 2006. He obtained a Bachelor of Science Degree majoring in Marine Science and Aquaculture (First Class Honours) from University of Kinki, Japan in 1996. Upon graduation, he joined Nitto Seimo Corporation Co Ltd ("Nitto"), Japan as the Head of Ocean Research and Development Department. During his employment with Nitto, he has conducted numerous research and has gained extensive experience in marine fish breeding, hatchery and rearing of marine fish. He also has vast knowledge in formulation of aquaculture medicine and chemical, water environment control, micro-organism production, and fish eggs management and control, and as well as designing and constructing fish cages (net cage, submersible cage and aquaculture system). He is responsible for the overall implementation of Borneo Aqua Group's R&D strategies and activities. He is also responsible for product development and breeding activities of the Group.



**Chang Mei-Lin
@ Tina Chang**

Taiwanese aged 52, is the Non-Executive Director of Borneo Aqua and was appointed to the Board of Directors of Borneo Aqua on 9 May 2005. She obtained a Bachelor Degree in International Trade Business from Ming Chuan University, Taiwan, Republic of China in 1974. Upon graduation, she joined Fuchi Electronic Co., Ltd in Japan as an Import and Export Executive. In 1977, she was promoted to Quality Control Manager, then to Manager of Management Department in 1981. In 1988, she was promoted to Personal Assistant to the President of the company, a post she held until 1991. In July 1991, she incorporated Tina International Holding Co., Ltd., which is the sole agent in Taiwan, Republic of China for Nitto Seimo Co. Ltd., a listed company in Japan, which is involved in, amongst others, trading in marine nets and other marine goods.



**Chong
Khing Chung**

Malaysian aged 39, is the Independent Non-Executive Director cum Audit Committee Chairman of Borneo Aqua. He was appointed to the Board of Directors of Borneo Aqua on 9 May 2005. He is a member of the Malaysian Institute of Accountants and Association of Certified Practising Accountants of Australia. He obtained a Bachelor Degree in Accountancy from University of Western Australia, Perth, Australia in 1990. Upon graduation, he joined Arthur Andersen & Co. as an Audit Assistant. In 1992, he joined Borneo Development Corporation (Sabah) Sdn Bhd as an Accountant. He joined Innosabah Securities Bhd ("ISB") in 1994 and was appointed as an Executive Director of Operations of ISB in 2000. He was attached to Hwang-DBS Securities Bhd in 2003 and Kuala Lumpur City Securities Sdn Bhd in 2004. He was the Executive Director cum Group Chief Financial Officer of Cepatawasan Group Berhad from August 2004 to October 2005. He is also the Independent Non-Executive Director cum Audit Committee Chairman of Jotech Holdings Bhd.



**Dora
Chiu Kui Tzu**

Malaysian aged 52, is the Independent Non-Executive Director of Borneo Aqua and was appointed to the Board of Directors of Borneo Aqua on 9 May 2005. Upon completing her education, she joined Guthrie Engineering Sdn Bhd as a Kardex Clerk cum Parts Supervisor in 1973. In 1982, she joined Hong Kong and Shanghai Banking Corporation (currently known as HSBC Bank Malaysia Berhad ("HSBC")). She left HSBC in 2002. She is a committee member of the Sandakan Hospice Association and the Sabah Cheshire Home Sandakan, and an active member of the Sandakan Toastmaster Club.

statement of corporate governance

The Board recognises the importance of good corporate governance in steering the Group's business and is pleased to disclose below the manner in which it has applied the principles and best practices set out in the Malaysian Code of Corporate Governance.

A. BOARD OF DIRECTORS

Responsibility of the Board of Directors

The Board takes full responsibility for the performance of the Group. The Board guides the Company on its short and long-term goals, provides advice and directions on management and business development issues while providing balance to the management of the Company.

The Board is responsible for the followings:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, determining the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Composition

The Company is led by an experienced Board with eight (8) members; comprising one (1) Independent Non-Executive Chairman, one (1) Managing Director/Chief Executive Officer, three (3) Executive Directors, one (1) Non-Executive Director and two (2) Independent Non-Executive Directors. The Board composition represents a mix of knowledge, skills and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction.

The Independent Non-Executive Chairman is responsible for the Board's effectiveness and standard of conduct whilst the Managing Director/Chief Executive Officer has the overall responsibilities over the business and operation. The clear division of responsibilities between these two roles will ensure a balance of power and authority.

All independent and Non-Executive Directors do not participate in the day-to-day management of the Group. The Independent Non-Executive Directors have a responsibility to bring independent objective judgement to bear on the Board's decisions.

The Company is in compliance with Part 2 of the Malaysian Code of Corporate Governance which states that at least one-third (1/3) of the Board must be made up of Independent Non-Executive Directors. The Company has also complied with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, which requires the Board to have at least two (2) directors or one-third (1/3) of the Board are Independent Directors.

Appointments and Re-election of Directors

All appointments of new directors to the Board are properly made with an established and transparent procedure and in compliance with the relevant rules of the relevant authorities. Any appointment of additional director will be made as and when it is deemed necessary by the existing Board with due consideration given to the mix and range of expertise and experience required for an effective Board.

statement of corporate governance (cont'd)

A. BOARD OF DIRECTORS (CONT'D)

Appointments and Re-election of Directors (cont'd)

In accordance with the Company's Articles of Association, at each Annual General Meeting, one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum of one (1), shall retire from office and an election of Directors shall take place provided always that each Director (except the Managing Director) shall retire at least once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not. An election of Directors shall take place each year.

Board Meeting and Supply of Information

The Board meets regularly on a quarterly basis to control and monitor the development of the Group. Additional meetings will be convened as and when required. The agenda for each Board meeting is circulated to all the Directors for their perusal well in advance of the Board meeting date. The Directors are given sufficient time to obtain further information and explanation, where necessary, in order to be briefed properly before the meeting. The proceedings and resolutions reached at each Board meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the Registered Office.

Besides Board meetings, the Board exercises control on matters that require its approval through circulation of Directors' Resolutions.

The summary of attendance at the Board meetings held for the financial year ended 31 March 2006 is as follows:

Directors	Number of Board Meetings	
	Held	Attended
Datuk Md Kamal Bin Bilal	2	2
Datuk Lo Fui Ming	2	2
Lo Ken Hin	2	2
Lo Teck Yong	2	2
Chang Mei-Lin @ Tina Chang	2	1
Dora Chiu Kui Tzu	2	1
Chong Khing Chung	2	2
Akinori Hotani (Appointed on 24 March 2006)	0	0

The Board members have access to the advice and services of the Company Secretaries and all information in relation to the Group whether as a full Board or in their individual capacity to assist them in carrying out their duties. Where necessary, the Directors may engage independent professionals at the Group's expenses on specialized issues to enable the Board to discharge their duties with adequate knowledge on the matters being deliberated.

Number of Directorship in Other Companies

None of the Directors of the Company hold any directorship in other public listed companies except for Datuk Md Kamal Bin Bilal and Chong Khing Chung.

A. BOARD OF DIRECTORS (CONT'D)**Directors' Training**

All the Directors, except for Chang Mei-Lin @ Tina Chang and Akinori Hotani whose application for an extension of time for compliance has been made to Bursa Malaysia Securities Berhad, has attended and successfully completed the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad. Every Director will undergo continuous training to equip himself/herself to effectively discharge his/her duties as a director from time to time. The company will provide briefing for new members of the Board, when necessary, to ensure they have a comprehensive understanding on the Group's operations.

B. REMUNERATION OF DIRECTORS

The Board recognises that the remuneration of an Executive Director shall always be linked to corporate and individual performance. The remuneration of Non-Executive Director and Independent Non-Executive Director are related to their experience and level of contribution. The Board however, decided that there is no necessity at this moment to set up a Remuneration Committee and the remuneration of both Executive and Non-Executive Directors are currently decided by the Board.

The details of the Directors' remuneration for the financial year ended 31 March 2006 are as follows:

	Salaries and other emoluments RM	Fees RM	Total RM
Executive Directors	189,402	-	189,402
Non-Executive Directors	-	105,200	105,200

Range of remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	3	3
RM50,001 – RM100,000	1	1

C. SHAREHOLDERS AND INVESTORS RELATION

Recognising the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that the shareholders and other stakeholders are well informed of major development of the Company and the information is communicated timely to them through the following:

- The Annual Report; and
- The various disclosures and announcements made to Bursa Malaysia Securities Berhad including the Research Reports, Quarterly Results and Annual Results, which are available publicly on the internet via Bursa Malaysia Securities Berhad's website at <http://www.bursamalaysia.com>.

The Group's Annual General Meeting (AGM) is an important forum where communications with shareholders are effectively conducted. Shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty-one (21) days before the meeting. The Board will ensure that each item of special business included in the notices of the AGM or Extraordinary General Meeting is accompanied by a full explanation of the effects of any proposed resolution.

statement of corporate governance (cont'd)

C. SHAREHOLDERS AND INVESTING RELATIONS (CONT'D)

The Independent Non-Executive Chairman and the Board Members are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders.

The Company strives to promote and encourage bilateral communication with its shareholders through participation at its general meetings and also ensure timely dissemination of any information to the investors, analysts and public at large. The Company always maintains and promotes transparency in our business activities and to continually keep the shareholders and the public well informed on the Company's activities.

The Company also maintains a website (<http://www.borneoaqua.com.my>) which provides another communication channel for investors and shareholders to access corporate information and news related to the Group.

D. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board has taken reasonable steps to provide a balanced and comprehensive assessment of the Group's financial performance and prospects, primarily through the annual report, quarterly financial results and research reports. In the preparation of the financial statements, the directors have adopted suitable accounting policies and applied them consistently and made judgements and estimates that are prudent and reasonable.

(ii) Internal Control

The Board has the responsibility for maintaining a sound system of internal controls, which provides reasonable assessments of effective and efficient operations, internal controls and compliance with laws and regulations. Currently, the Group does not maintain an Internal Audit Department due to the size of the Group. The Board is of the opinion that the current control mechanism, procedures and policies are adequate for the current level of operations.

(iii) Relationship with the Auditors

The Group's independent external auditors hold an essential role for the shareholders by enhancing the reliability of the Group's financial statements and providing assurance of that reliability to users of these financial statements. The Company has always maintained a formal and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

E. DIRECTOR'S RESPONSIBILITY IN RESPECT OF THE ANNUAL FINANCIAL STATEMENTS

The Directors are required to prepare the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flow of the Group and of the Company for the financial year ended.

In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market have been applied. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

audit committee report

The Audit Committee was established to act as a Committee of the Board with the objective of assisting the Board in the areas of corporate governance, systems of internal controls, risk management and financial reporting of the Group.

COMPOSITION

The composition of the Audit Committee must fulfil the following requirements:

- The Audit Committee shall comprise at least 3 directors;
- The Chief Executive Officer and alternate directors shall not be appointed as members of the Audit Committee;
- The majority of the Audit Committee shall be independent directors;
- Members of the audit committee shall elect a chairman, who shall be an independent director from among their members;
- At least one member of the Audit Committee:
 - Must be a member of the Malaysian Institute of Accountants; or
 - Must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant's Act 1967; or
 - Fulfils such other requirements as prescribed by the Bursa Malaysia Securities Berhad.

The Audit Committee comprises of:

Name	Status of Directorship	Meeting	
		Held	Attended
Chairman Chong Khing Chung	Independent Non-Executive Director	2	2
Member Datuk Md Kamal Bin Bilal	Independent Non-Executive Chairman	2	2
Lo Teck Yong (appointed on 5 July 2006)	Executive Director	0	0

TERMS OF REFERENCE

Authority

For the performance of its duties, the Audit Committee shall:

- Have explicit authority to investigate any matter within its terms of reference;
- Have the resources required to perform its duties;
- Have unrestricted access to the Managing Director/Chief Executive Officer and its Financial Department;
- Have direct communication channels with the external auditors;
- Be able to obtain independent professional or other advice at a cost which is to be approved by the Board of Directors;
- Be able to convene meetings with the external auditors with the exclusion of the executive members of the Audit Committee, whenever deemed necessary; and
- Be able to invite outsiders with relevant experience to attend its meeting if necessary.

audit committee report (cont'd)

TERMS OF REFERENCE (CONT'D)

Functions of the Audit Committee

The Audit Committee shall, amongst others, discharge the following functions:

- to consider the appointment of external auditors, the audit fees and any questions of resignation or dismissal;
- to review with the external auditors:
 - a. their audit plan, scope and nature of the audit for the Group;
 - b. their audit report;
 - c. the external auditors' management letter and the management's response with regard to problems and reservations arising from their audits; and
 - d. any matters the auditors may wish to discuss (in the absence of management where necessary)
- to review the assistance given by the employees of the Group to the external auditors;
- determine the quality, adequacy and effectiveness of the Group's internal control policies;
- to review with management on a periodic basis, the Company's general policies, procedures and controls especially in relation to management accounting, financial reporting, risk management and business ethics;
- to review the quarterly results and annual financial statements, prior to the approval by the Board, focusing particularly on:
 - a. any change in accounting policies and practices
 - b. significant adjustment arising from the audit
 - c. any other significant and unusual events
 - d. compliance with accounting standards and other legal requirements
 - e. major potential risk issues, if any
- to review related party transactions to ensure that they have been conducted at arms length and on normal commercial terms; and
- to carry out such other functions as may be agreed to by the Audit Committee and the Board of Directors.

Procedure of the Audit Committee

The Audit Committee shall regulate its procedures as follows:

- The Audit Committee shall hold at least four (4) meetings in each financial year;
- A member of the Audit Committee may at any time summon a meeting of the Audit Committee;
- Notice calling for a meeting of the Audit Committee shall be given to all its members at least fourteen (14) days before the meeting or at shorter notice as the Audit Committee members shall determine or agree;
- The quorum necessary for the transaction of business at an Audit Committee meeting shall be two and the majority of members present must be independent directors;
- Questions arising at any Audit Committee meeting shall be decided by the majority vote of its members present. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote;

Procedure of the Audit Committee (cont'd)

- Minutes of each Audit Committee meeting shall be kept by the secretary of the Audit Committee;
- The company secretary shall be the secretary of the Audit Committee and the secretary's duties amongst other shall include:-
 - The custody, production and availability of inspection of such minutes;
 - The maintenance of particulars required for the preparation of the Audit Committee report.

Summary of Activities

The following activities were carried out by the Audit Committee during the financial year under review:

- Reviewed the auditing plan with the external auditors for the statutory audit of the Group's financial statement for the financial year ended 31 March 2006;
- Change in the implementation of major accounting policies;
- Reviewed any significant or unusual events;
- Reviewed the compliance with accounting standards and other legal requirements;
- Reviewed the research report, unaudited quarterly financial statements including the audited year end financial statements to ensure adequacy of the disclosure of information essential for a fair and true presentation of the financial affairs of the Group before recommending to the Board for approval;
- Discussed and reviewed the Group's audited year end financial statements together with the report to the Audit Committee with the external auditors in relation to the significant matters noted in the course of the audit of the Group's financial statements as well as new development on accounting standards and regulatory requirements; and
- Considered the appointment of external auditors and their remunerations.



statement of internal control

Introduction

The Board is committed to maintain a sound system of internal control of the Group and is pleased to provide the following Statement of Internal Control, which outline the Group's nature and scope of internal control during the year.

Board Responsibility

The Board is responsible for establishing an appropriate control environment and framework on risk management, organisational, financial and operational controls including reviewing its adequacy and integrity.

The Board recognises the importance of sound internal controls and risk management as the platform for the practice of good corporate governance. Due to the inherent limitations in any system of internal controls, the system is designed to manage, rather than eliminate the risk of failure to achieve business objectives. Thus the framework is expected to provide reasonable but not absolute assurance against material misstatements or losses.

Internal Control Framework

Presently the Group does not maintain an internal audit department. The Board believes that the same objective can be achieved as it has established an organisation with clearly defined lines of accountability and delegated authority and the current control mechanisms are sufficient for the size of the Group.

The Managing Director and senior management team monitor the day-to-day affairs of the Group by attending scheduled meetings both at management and operational levels and review their performance and operation reports. These include technical and operations meetings and management review meetings for the subsidiary companies.

The key elements of the Group's internal control system are described below:

- A well defined organisational structure with clear lines of accountability that sets out the authority delegated to the Board and management committees.
- There is a clearly defined delegation of responsibilities to the Audit Committee of the Board and the management of the holding company and operating units who ensure that appropriate control procedures are in place.
- Performance reports such as quarterly financial review and other corporate matters are regularly provided to the directors and discussed at Board Meetings.
- Management meeting are regularly held to discuss and report on the operational performance, business strategy, key information, legal and regulatory matters of each business unit where plans and targets are established for business planning and budgeting process.
- The Audit Committee is tasked by the Board with the duty of reviewing the effectiveness of the Group's system of internal controls.
- The Audit Committee, on behalf of the Board, reviews and holds discussions with Management to deliberate on action plans addressing the internal controls issues identified by the external auditors.

statement of internal control (cont'd)

The Board remains committed towards maintaining a sound system of internal controls, therefore on-going reviews will be carried out to measure the effectiveness of the internal control systems and establish shareholders' confidence. This is to ensure the Group's system of internal controls is able to support the growth and dynamics of the Group in line with the changes in the operating environment. As such, the Board, in striving for continuous improvement, will further seek independent appraisal from external auditors on the effectiveness of the internal control systems, as appropriate.

The Board is of the view that there were no significant breakdowns or weaknesses in the system of internal control of the Group that may have a material impact the operations of the Group for the financial year ended 31 March 2006. The Board and the management will continue to take necessary measures to strengthen and improve its internal control structure in order to manage the risks more effectively.

additional compliance information

1. Utilisation of Proceeds

As at 31 March 2006, the utilisation of proceeds raised from the IPO are as follows:

Utilisation	Approved Utilisation RM000	Utilisation as of 31 March 2006 RM000	Amount Unutilised RM000
Capital expenditure	17,942.6	6,538.8	11,403.8
Expenditure for research and development	1,560.0	1,271.4	288.6
Working capital	3,597.9	1,338.5	2,259.4
Listing expenses	2,200.0	1,904.6	* 295.4
Total	25,300.5	11,053.3	14,247.2

* The balance of the listing expenses not used will be utilised as working capital in the next financial year.

2. Share Buy-back

The Company did not carry out any share buy-back for the financial year under review.

3. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year.

4. American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company did not sponsor any ADR or GDR programme during the financial year.

5. Imposition of sanctions and/or penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

6. Non-audit fees

The amount of non-audit fees paid to the external auditors by the Group for the financial year ended 31 March 2006 was RM152,000. The fee was related to the professional services rendered in respect of the Group's listing exercise and the review of quarterly announcement.

7. Profit forecast

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

8. Profit guarantee

The Company did not issue any profit guarantee during the financial year.

9. Recurrent Related Party Transactions of a Revenue or Trading Nature

There was no recurrent related party transactions of revenue or trading nature which had entered by the Group during the financial year ended 31 March 2006.

10. Contract Relating To Loan by the Company

There is no contract relating to loan by the Company.

11. Revaluation Policy

The Company does not have a revaluation policy on landed properties.

12. Material Contract

There was no other material contract entered into by company and/or its subsidiary company which involves Directors' interests during the financial year ended 31 March 2006.



financial statements

- 20 Directors' Report
- 24 Statement by Directors
- 24 Statutory Declaration
- 25 Report of the Auditors
- 26 Income Statements
- 27 Balance Sheets
- 29 Statements of Changes in Equity
- 30 Cash Flow Statements
- 32 Notes to the Financial Statements



directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2006.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are stated in Note 15 to financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group (11 months) RM	Company (12 months) RM
Profit after taxation	5,008,604	1,134,407

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effect of recognition of negative goodwill of RM2,226,473 which arose from the acquisition of subsidiary companies during the year in the income statement as referred in Note 15(c).

Dividend

At the forthcoming Annual General Meeting, a final tax exempt dividend of 3.5% totalling RM1,050,000 in respect of the financial year ended 31 March 2006 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2007.

Issue of Shares

During the financial year, the Company increased its:

- (a) authorised ordinary share capital from RM100,000 to RM50,000,000 through the creation of 499,000,000 ordinary shares of RM0.10 each; and
- (b) issued and paid-up ordinary share capital from RM2 to RM30,000,000 in accordance to the listing exercise as approved by the Securities Commission, by way of issuance of:
 - (i) 1,052,040 ordinary shares of RM0.10 each at par for the acquisition of subsidiary companies, Plentiful Harvest Sdn. Bhd. and Marine Terrace Sdn. Bhd.;
 - (ii) 68,442,520 ordinary shares of RM0.10 each at par for settlement of amounts owing to previous shareholders of Plentiful Harvest Sdn. Bhd. and Marine Terrace Sdn. Bhd.;

Issue of Shares (Cont'd)

- (iii) 5,505,420 ordinary shares of RM0.10 each at par through a right issue on the basis of approximately 7.92 shares for every 100 existing shares after settlement of debts;
- (iv) 25,000,000 ordinary shares of RM0.10 each through public issue at an issue price of RM0.99 per ordinary share; and
- (v) 200,000,000 ordinary shares of RM0.10 each by way of bonus issue through capitalisation of RM20,000,000 from the share premium account on the basis of 2 new ordinary shares for every 1 existing share held after the public issue.

The newly issued shares rank pari passu in all respects with the existing shares.

Significant Events

- (a) On 6 May 2005, the Company completed the acquisition of two subsidiary companies, Plentiful Harvest Sdn. Bhd. and Marine Terrace Sdn. Bhd. for a total consideration of RM105,204 which was satisfied by way of an issuance of 1,052,040 ordinary shares of RM0.10 each at par in the Company; and
- (b) The Company was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 5 September 2005.

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Md Kamal Bin Bilal	(Appointed on 9 May 2005)
Datuk Lo Fui Ming	(Appointed on 9 May 2005)
Lo Ken Hin	(Appointed on 9 May 2005)
Lo Teck Yong	(Appointed on 9 May 2005)
Akinori Hotani	(Appointed on 24 March 2006)
Chang Mei-Lin @ Tina Chang	(Appointed on 9 May 2005)
Chiu Kui Tzu @ Dora	(Appointed on 9 May 2005)
Chong Khing Chung	(Appointed on 9 May 2005)
Tai, Kun-Tsai	(Appointed on 9 May 2005, resigned on 24 March 2006)
Tai, Chu-Chun	(Appointed on 9 May 2005, resigned on 24 March 2006)
Ho Khin Fong @ Henry Ho	(Appointed on 9 May 2005, resigned on 1 June 2006)
Yong Chui Han	(Resigned on 9 May 2005)
Liew Chiew Yee	(Resigned on 9 May 2005)

Directors' Benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than transactions entered into pursuant to the restructuring and listing exercise as disclosed in Note 33 to the financial statements.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 9 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

directors' report (Cont'd)

Directors' Interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM0.10 Each				
	At date of appointment	Acquired	Bonus Issue	Sold	31.3.2006
The Company					
Direct Interest					
Datuk Md Kamal Bin Bilal	-	2,260,000	120,000	(200,000)	2,180,000
Datuk Lo Fui Ming	40,003,757	155,000	80,117,514	(3,000,000)	117,276,271
Ho Khin Fong @ Henry Ho	6,377,433	727,637	12,984,866	(1,150,000)	18,939,936
Lo Ken Hin	5,766,875	1,205,000	11,643,750	(2,972,429)	15,643,196
Lo Teck Yong	170,309	3,120,000	580,618	(219,597)	3,651,330
Akinori Hotani	135,000	-	-	-	135,000
Chang Mei-Lin @ Tina Chang	3,887,080	55,000	7,884,160	(1,757,252)	10,068,988
Chiu Kui Tzu @ Dora	-	100,000	-	-	100,000
Chong Khing Chung	-	50,000	100,000	(110,000)	40,000

Datuk Lo Fui Ming by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Other Statutory Information

- (a) Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Other Statutory Information (Cont'd)

- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

DATUK LO FUI MING

Sandakan, Malaysia

Dated: 7 July 2006

LO KEN HIN



statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, DATUK LO FUI MING and LO KEN HIN, being two of the Directors of Borneo Aqua Harvest Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 26 to 54 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

DATUK LO FUI MING

Sandakan, Malaysia

Dated: 7 July 2006

LO KEN HIN

statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, CHONG TZU KHEN, being the Officer primarily responsible for the financial management of Borneo Aqua Harvest Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 26 to 54 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed **CHONG TZU KHEN**
at Sandakan in the State of Sabah on
7th day of July 2006.

CHONG TZU KHEN

Before me -

RAMSAH BINTI HJ. MOHD. TAHA (S-029)
Commissioner for Oaths
No. 3, Tingkat 2, Bangunan SRDC (Sandakan)
Sandakan, Sabah

report of the auditors to the members of

Borneo Aqua Harvest Berhad

We have audited the financial statements set out on pages 26 to 54. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 March 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The Auditors' Reports on the financial statements of the subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Sandakan, Malaysia

Dated: 7 July 2006

CHONG YEW HOONG
1502/04/07 (J)
Partner

income statements

for the year ended 31 March 2006

	Note	Group 2006 (11 months) RM	Company 2006 (12 months) RM	Company 2005 (12 months) RM
Revenue	5	6,405,677	1,050,000	-
Cost of sales	6	(2,431,238)	-	-
Gross profit		3,974,439	1,050,000	-
Other operating income*		2,485,443	236,209	-
Other operating expenses		(546,523)	-	-
Distribution cost		(22,383)	-	-
Administrative expenses		(799,353)	(88,970)	(13,478)
Profit/(loss) from operations	7	5,091,623	1,197,239	(13,478)
Finance costs	10	(19,563)	-	-
Profit/(loss) before taxation		5,072,060	1,197,239	(13,478)
Taxation	11	(63,456)	(62,832)	-
Profit/(loss) after taxation		5,008,604	1,134,407	(13,478)
Net dividend per ordinary share in respect of the year (sen)	12	0.35	-	-
Earnings per share (sen):				
- basic	13	2.01		
- diluted	13	-		

* Included in other operating income of the Group is an amount of RM2,226,473 representing the recognition of negative goodwill on consolidation which arose from acquisition of subsidiary companies during the year as referred to in Note 15 (c) to the financial statements.

The accompanying notes form an integral part of the financial statements.

balance sheets

as at 31 March 2006

	Note	Group 2006 RM	Company 2006 RM	Company 2005 RM
Non-Current Assets				
Property, plant and equipment	14	10,948,101	-	-
Investments in subsidiary companies	15	-	105,204	-
Broodstocks	16	1,614,378	-	-
Deferred tax assets	30	214,749	-	-
		12,777,228	105,204	-
Intangible Asset				
Development expenditure	18	748,245	-	-
Current Assets				
Inventories	19	1,469,609	-	-
Amounts due from subsidiary companies	20	-	16,795,276	-
Trade receivables	21	2,313,895	-	-
Other receivables	22	2,837,750	18,650	617,819
Fixed deposits with a licensed bank	23	14,173,443	14,173,443	-
Tax refundable		717	-	-
Cash and bank balances		1,957,003	444,256	2
		22,752,417	31,431,625	617,821
Current Liabilities				
Trade payables	24	389,319	-	-
Other payables	25	285,662	27,314	631,297
Hire purchase payables	26	104,954	-	-
Provision for taxation		29,232	29,232	-
		809,167	56,546	631,297
Net Current Assets/(Liabilities)		21,943,250	31,375,079	(13,476)
		35,468,723	31,480,283	(13,476)

balance sheets
as at 31 March 2006 (Cont'd)

	Note	Group 2006 RM	Company 2006 RM	2005 RM
Financed By:				
Share capital	27	30,000,000	30,000,000	2
Share premium	28	359,354	359,354	-
Retained profit/(loss)	29	4,995,126	1,120,929	(13,478)
Shareholders' equity		35,354,480	31,480,283	(13,476)
Non-Current Liabilities				
Hire purchase payables	26	114,243	-	-
		35,468,723	31,480,283	(13,476)
Net Assets Per Share (Sen)	31	11.78		

The accompanying notes form an integral part of the financial statements.

statements of changes in equity

for the year ended 31 March 2006

	Note	Non-Distributable		(Loss)/ Retained Profit RM	Total RM
		Share Capital RM	Share Premium RM		
Group					
At 31 March 2005		2	-	(13,478)	(13,476)
Issuance of ordinary shares:					
- for acquisition of subsidiary companies		105,204	-	-	105,204
- for settlement of amounts due to former shareholders of subsidiary companies acquired		6,844,252	-	-	6,844,252
- right issues		550,542	-	-	550,542
- public issue		2,500,000	22,250,000	-	24,750,000
- bonus issue		20,000,000	(20,000,000)	-	-
Listing expenses	28	-	(1,890,646)	-	(1,890,646)
Profit after taxation		-	-	5,008,604	5,008,604
At 31 March 2006		30,000,000	359,354	4,995,126	35,354,480
Company					
At date of incorporation		2	-	-	2
Loss after taxation		-	-	(13,478)	(13,478)
At 31 March 2005		2	-	(13,478)	(13,476)
Issuance of ordinary shares:					
- for acquisition of subsidiary companies		105,204	-	-	105,204
- for settlement of amounts due to former shareholders of subsidiary companies acquired		6,844,252	-	-	6,844,252
- right issues		550,542	-	-	550,542
- public issue		2,500,000	22,250,000	-	24,750,000
- bonus issue		20,000,000	(20,000,000)	-	-
Listing expenses	28	-	(1,890,646)	-	(1,890,646)
Profit after taxation		-	-	1,134,407	1,134,407
At 31 March 2006		30,000,000	359,354	1,120,929	31,480,283

The accompanying notes form an integral part of the financial statements.

cash flow statements

for the year ended 31 March 2006

	Group 2006 (11 months) RM	Company 2006 (12 months) RM	Company 2005 (12 months) RM
Cash Flows From Operating Activities			
Profit/(loss) before taxation	5,072,060	1,197,239	(13,478)
Adjustments for:			
Interest income	(34,675)	(34,675)	-
Fixed deposits interests	(201,534)	(201,534)	-
Amortisation of broodstocks	48,125	-	-
Amortisation of development expenditure	12,695	-	-
Depreciation of property, plant and equipment	476,883	-	-
Negative goodwill on consolidation	(2,226,473)	-	-
Plant and equipment written off	158,844	-	-
Amortisation of leasehold land	1,464	-	-
Gain on disposal of motor vehicles and equipment	(21,379)	-	-
Finance costs	19,563	-	-
REPO interest	(1,382)	-	-
Operating profit/(loss) before working capital changes	3,304,191	961,030	(13,478)
Increase in amounts due from subsidiary companies	-	(9,845,820)	-
Increase in receivables	(3,152,859)	(18,650)	(617,819)
Increase in inventories	(60,234)	-	-
(Decrease)/increase in payables	(1,844,908)	(603,983)	631,297
Cash used in operations	(1,753,810)	(9,507,423)	-
Income tax paid	(38,174)	(33,600)	-
Net cash used in operating activities	(1,791,984)	(9,541,023)	-
Cash Flows From Investing Activities			
Proceeds from disposals of plant and equipment	105,500	-	-
Purchase of property, plant and equipment	(7,767,453)	-	-
Additions of broodstocks	(725,920)	-	-
Development expenditure incurred	(373,502)	-	-
Acquisitions of subsidiary companies (Note 15)	2,588,216	(105,204)	-
Net cash used in investing activities	(6,173,159)	(105,204)	-

cash flow statements
for the year ended 31 March 2006 (Cont'd)

	Group 2006 (11 months) RM	Company 2006 (12 months) RM	2005 (12 months) RM
Cash Flows From Financing Activities			
Settlement of amount due a director of a subsidiary company	(12,000)	-	-
Interest income	34,675	34,675	-
Fixed deposit interest	201,534	201,534	-
REPO interest	1,382	-	-
Proceeds from issuance of share capital	25,300,542	25,300,542	2
Listing expenses	(1,272,827)	(1,272,827)	-
Interest paid on hire purchase	(19,563)	-	-
Payment of hire purchase payables	(138,156)	-	-
Net cash from financing activities	24,095,587	24,263,924	2
Net increase in cash and cash equivalents	16,130,444	14,617,697	2
Cash and cash equivalents at date of acquisition/beginning of year	2	2	-
Cash and cash equivalents at end of period/ year (Note 32)	16,130,446	14,617,699	2

The accompanying notes form an integral part of the financial statements.



notes to the financial statements

31 March 2006

1. Corporate Information

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are stated in Note 15 to financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ market of Bursa Malaysia Securities Berhad on 5 September 2005. The financial statements of the Group and of the Company are expressed in Ringgit Malaysia.

The registered office is located at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan. The principal place of which business is carried out is on the sea front of Pulau Bai and Pulau Palak, Sandakan.

The number of employees of the Group at the end of the financial year was 74.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 7 July 2006.

2. Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

(a) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing borrowings. The Group had no substantial long term interest-bearing assets as at 31 March 2006. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits, marketable securities or occasionally, in short term commercial papers.

(b) Foreign Exchange Risk

The Group is exposed to foreign exchange risk as certain purchases and sales are transacted in United States Dollar.

(c) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

(d) Credit Risk

Credit risk is managed by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored through the Group's associations to business partners with current proven track records. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group concentration of credit risk arises mainly from exposure to a few debtors.

2. Financial Risk Management Policies (Cont'd)

(e) Fair Values

There is no disclosure of fair value of investments in subsidiary companies as this is excluded from FRS 132²⁰⁰⁴ - Financial Instruments: Disclosure and Presentation.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables

The carrying amounts approximate fair values due to the relatively short maturity term of these financial instruments.

(ii) Amounts Due from Subsidiary Companies

It is not practicable to estimate the fair values of these amounts due principally to a lack of fixed repayment terms entered into by the parties involved.

3. Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is recognised as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

notes to the financial statements

31 March 2006 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(o). Goodwill arising on the acquisition of subsidiary companies is presented separately in the balance sheet and is not amortised.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill is recognised immediately in the income statement.

(d) Investments in Subsidiary Companies

The Company's investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(o).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(o).

Long leasehold land with an unexpired lease term of more than 50 years is stated at cost and not amortised. The Directors are of the opinion that the non-amortisation of the long leasehold land has no material effect on the financial statements. The effect of the non-amortisation of the long term leases is disclosed in Note 14 to the financial statements.

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives as follows:

Buildings	10 - 15 years
Floating platform, net and cages	10 years
Hatchery ponds	10 years
Heavy equipments	5 years
Motor vehicles	5 years
Fish pond equipment, furniture, fittings and equipment	10 years

Capital construction-in-progress is not depreciated until it is completed and ready for use.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

3. Significant Accounting Policies (Cont'd)

(f) Broodstocks

Broodstocks are stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(o).

All costs incurred on immature broodstocks which are accumulated on a project basis, are capitalised until such time when the broodstocks commence breeding. Costs incurred on immature broodstocks consist of the acquisition cost of the mother fish, cost of feeds and medication, direct labour cost and an appropriate proportion of farm operating overheads.

Maintenance costs of broodstocks after commencement of breeding are recognised in the income statement.

The costs of broodstocks are amortised over the economic egg production lives of the respective of fish, which varies between 8 to 10 years depending on the species.

Upon the disposal of broodstocks, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(g) Research and Development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is also recognised as an expense in the period incurred except when the expenditure meet the following criteria where it will be capitalised as intangible assets:

- the product or process is clearly defined and costs are separately identified and measured reliably;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- the assets will generate future economic benefits; and
- adequate technical, financial and other resources for completion of the project are available.

Development costs initially recognised as an expense are not recognised as an asset in subsequent periods.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense in the income statement based on a straight-line basis over 5 years. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(o).

(h) Inventories

(i) Fishery Live Stocks

Fishery live stocks are stated at the lower of cost (determined on a monthly weighted average basis) and net realisable value. Cost of fishery live stocks and fish fry-in-progress include the cost of feeds and medication, direct labour cost and an appropriate proportion of farm operating overheads accumulated on a project basis. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

notes to the financial statements

31 March 2006 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(h) Inventories (Cont'd)

(ii) Consumable Stores

Consumable stores are stated at cost. Cost includes expenses incurred in bringing the items into stores and is computed using the weighted average method. Provision is made for all damaged, obsolete and slow-moving items.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value.

(j) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 3(e).

(ii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(k) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

3. Significant Accounting Policies (Cont'd)

(l) Income Tax

Income tax on the profit or loss for the year/period comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profit for the year/period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(m) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, employers in Malaysia make contributions to the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(n) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from sale of fish, fish fry and fish eggs is recognised upon delivery of products to customers during the year less returns and discounts.

Dividend income is recognised when the shareholders' right to receive payment is established.

notes to the financial statements

31 March 2006 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(o) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(p) Currency Conversion

Foreign currency transactions are recorded in Ringgit Malaysia at the rates of exchange approximating those ruling at transaction dates. Foreign currency assets and liabilities are reported at the rates ruling at balance sheet date. All gains or losses on exchange are dealt with through the income statement.

(q) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Payables

Sundry payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

4. Significant Events

- (a) On 6 May 2005, the Company completed the acquisition of subsidiary companies, Plentiful Harvest Sdn. Bhd. and Marine Terrace Sdn. Bhd. for a total consideration of RM105,204 which was satisfied by way of an issuance of 1,052,040 ordinary shares of RM0.10 each at par in the Company; and
- (b) The Company was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 5 September 2005.

5. Revenue

	Group 2006 (11 months) RM	Company 2006 (12 months) RM	Company 2005 (12 months) RM
Sale of adult fish	5,279,264	-	-
Sale of fish fry	1,124,113	-	-
Sale of fish eggs	2,300	-	-
Tax exempt dividends from subsidiary companies	-	1,050,000	-
	6,405,677	1,050,000	-

6. Cost of Sales

This represents cost of inventories sold.

7. Profit/(Loss) from Operations

	Group 2006 (11 months) RM	Company 2006 (12 months) RM	Company 2005 (12 months) RM
This is stated after charging/(crediting):			
Amortisation of broodstocks	48,125	-	-
Amortisation of development expenditure	12,695	-	-
Amortisation of leasehold land	1,464	-	-
Auditors' remuneration			
- current year	31,000	15,000	1,000
- other services	10,000	10,000	-
- underprovided in prior period	4,000	2,000	-
Depreciation of property, plant and equipment (Note 14)	476,883	-	-
Fish pond rental	24,000	-	-
Land rental	3,750	-	-
Non-Executive Directors' remuneration (Note 9)	105,200	-	-
Office rental	12,000	-	-
Plant and equipment written off	158,844	-	-
Professional fees charged by an associate of the Company's auditors	4,200	-	-
Loss on foreign currency exchange	9,753	-	-
Rental of fish stall	630	-	-
Research and development expenditure	546,523	-	-
Staff costs (Note 8)	915,862	-	-
Gain on disposal of motor vehicles and equipment	(21,379)	-	-
Recognition of negative goodwill on consolidation	(2,226,473)	-	-
Interest income	(237,591)	(236,209)	-

notes to the financial statements

31 March 2006 (Cont'd)

8. Staff Costs

	Group 2006 (11 months) RM	Company 2006 (12 months) RM	Company 2005 (12 months) RM
Salaries and wages	1,065,457	-	-
Employees' Provident Fund contributions	126,200	-	-
SOCSO contributions	12,025	-	-
	1,203,682	-	-
Capitalised under:			
- broodstock	(80,383)	-	-
- development expenditure	(34,034)	-	-
- construction work-in-progress	(173,403)	-	-
Recognised in income statement	915,862	-	-

Included in the staff cost of the Group are Executive Directors' remuneration of RM152,116 as further disclosed in Note 9.

9. Directors' Remuneration

	Group 2006 (11 months) RM	Company 2006 (12 months) RM	Company 2005 (12 months) RM
Directors of the Company			
Executive:			
- Salaries, bonus and other emoluments	189,402	-	-
Capitalised under construction work-in-progress	(90,842)	-	-
	98,560	-	-
Non-Executive - Fees	105,200	-	-
	203,760	-	-
Directors of a subsidiary company			
Executive - emoluments	53,556	-	-
Recognised in income statement	257,316	-	-

10. Finance Costs

Interest on hire purchase	19,563	-	-
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11. Taxation

	Group 2006 (11 months) RM	Company 2006 (12 months) RM	Company 2005 (12 months) RM
Income tax:			
On interest income for the period/year	63,466	62,832	-
Overprovided in prior year	(10)	-	-
Tax expense for the period/year	63,456	62,832	-

The subsidiary companies have been granted tax incentive under Section 127 of the Income Tax Act, 1967 whereby they 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.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group 2006 (11 months) RM	Company 2006 (12 months) RM	Company 2005 (12 months) RM
Profit/(loss) before taxation	5,072,060	1,197,239	(13,478)
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	1,420,177	335,227	(3,774)
Effect of tax exemption on profit	(907,068)	(294,000)	-
Effect of income subject to tax rate of 20%*	(254)	-	-
Effect of expenses not deductible for tax purposes	54,659	21,605	3,774
Deferred tax liabilities not recognised during the year	(504,048)	-	-
Overprovision of income tax expense in prior year	(10)	-	-
Tax expense for the period/year	63,456	62,832	-

* Pursuant to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act, 1967, the income tax rate applicable to the first RM500,000 of the chargeable income of all the subsidiary companies is 20% as they are considered small and medium scale companies.

	Group 2006 RM
Unutilised tax losses carried forward	815,138
Unabsorbed capital allowances	752,000
	1,567,138

notes to the financial statements

31 March 2006 (Cont'd)

12. Dividend

At the forthcoming Annual General Meeting, a final tax exempt dividend of 3.5% totalling RM1,050,000 in respect of the financial year ended 31 March 2006 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of the retained profits in the financial year ending 31 March 2007.

13. Earnings Per Share

(a) Basic

The basic earnings per share is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the financial year.

	Group (11 months) 2006
Profit after taxation (RM)	5,008,604
Weighted average number of ordinary shares in issue	248,630,143
Basic earnings per share (Sen)	2.01

(b) Diluted

The Group has no potential ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share has not been presented.

14. Property, Plant and Equipment

	Long leasehold land and buildings RM	Floating platform, net and cages RM	Hatchery ponds RM	Heavy equipment RM	Motor vehicles RM	Fish pond equipment, furniture, fitting and equipment RM	Capital Construction- in-progress RM	Total RM
Cost								
At date of acquisition of subsidiary companies	558,153	1,376,002	782,010	141,000	185,360	1,437,982	174,638	4,655,145
Additions	1,148,259	73,309	493,562	113,000	-	855,877	5,265,595	7,949,602
Disposals	-	-	-	(141,000)	-	(5,500)	-	(146,500)
Written off	(151,922)	(70,215)	(53,424)	-	-	-	-	(275,561)
Reclassifications	1,232,146	803,780	2,221,975	-	-	-	(4,257,901)	-
At 31 March 2006	2,786,636	2,182,876	3,444,123	113,000	185,360	2,288,359	1,182,332	12,182,686

14. Property, Plant and Equipment (Cont'd)

	Long leasehold land and buildings RM	Floating platform, net and cages RM	Hatchery ponds RM	Heavy equipment RM	Motor vehicles RM	Fish pond equipment, furniture, fitting and equipment RM	Capital Construction-in-progress RM	Total RM
Accumulated Depreciation								
At date of acquisition of subsidiary companies	80,564	297,128	108,330	45,700	58,223	220,955	-	810,900
Charge for the period	63,873	164,460	126,948	35,283	33,982	178,235	-	602,781
Disposals	-	-	-	(62,150)	-	(229)	-	(62,379)
Written off	(78,608)	(20,301)	(17,808)	-	-	-	-	(116,717)
At 31 March 2006	65,829	441,287	217,470	18,833	92,205	398,961	-	1,234,585
Net Book Value								
At 31 March 2006	2,720,807	1,741,589	3,226,653	94,167	93,155	1,889,398	1,182,332	10,948,101

Long leasehold land and buildings of the Group comprise:

	Long leasehold land RM	Short leasehold land RM	Buildings RM	Total RM
Cost				
At date of acquisition of subsidiary companies	77,143	-	481,010	558,153
Additions	552,253	527,014	68,992	1,148,259
Written off	-	-	(151,922)	(151,922)
Reclassifications	-	-	1,232,146	1,232,146
At 31 March 2006	629,396	527,014	1,630,226	2,786,636
Accumulated Depreciation				
At date of acquisition of subsidiary companies	-	-	80,564	80,564
Charge for the period	-	1,464	62,409	63,873
Written off	-	-	(78,608)	(78,608)
At 31 March 2006	-	1,464	64,365	65,829
Net Book Value				
At 31 March 2006	629,396	525,550	1,565,861	2,720,807

notes to the financial statements

31 March 2006 (Cont'd)

14. Property, Plant and Equipment (Cont'd)

- (i) During the financial period, the Group acquired property, plant and equipment with a total cost of RM7,949,602 as follows:

	Group 2006 RM
Assets acquired under hire purchase arrangement	143,000
Cash payments made for acquisition of property, plant and equipment	7,767,453
Depreciation capitalised under capital construction-in-progress	39,149
	<hr/> <hr/> 7,949,602

- (ii) Capital construction-in-progress capitalised during the period included:

	Group 2006 RM
Depreciation charge for the period	39,149
Executive Directors' remuneration	90,842
	<hr/> <hr/> 130,000

- (iii) Net book value of plant and equipment held under hire purchase arrangement are as follows:

	Group 2006 RM
Heavy equipment	94,167
Motor vehicles	93,155
Fish pond equipment	153,449
	<hr/> <hr/> 340,771

- (iv) Depreciation of property, plant and equipment during the financial period was taken up in the financial statements as follows:

	Group (11 months) 2006 RM
Recognised in income statement	478,347
Capitalised under:	
- broodstocks	55,718
- development expenditure	29,567
- capital construction-in-progress	39,149
	<hr/> <hr/> 602,781

14. Property, Plant and Equipment (Cont'd)

(v) The floating platform, staff quarters and fish rearing cages are constructed on the sea front of Pulau Bai and Pulau Palak, Sandakan. The Group has obtained permission from the relevant authorities to undertake fish rearing activities on the sea front of Pulau Bai. However, written approval from the relevant authorities for undertaking of fish breeding, fish fry hatchery and fish rearing activities on the sea front of Pulau Palak is in the final stages of being obtained. The Directors are confident that the said approval will be obtained in due course.

(vi) The financial effect on non-amortisation of the long leasehold land on the financial results is a decrease in amortisation charge of RM8,580.

15. Investments in Subsidiary Companies

	Company	
	2006 RM	2005 RM
Unquoted shares at cost		
Investments in subsidiary companies	105,204	-

The particulars of subsidiary companies which are incorporated in Malaysia, at 31 March 2006 are:

Subsidiary Companies	Principal Activities	Effective Interest Held	
		2006 %	2005 %
Plentiful Harvest Sdn. Bhd.	Fish breeding, operation of a fish hatchery and fish rearing	100	-
Marine Terrace Sdn. Bhd.	Fish rearing	100	-

On 6 May 2005, the Company completed the acquisition of two subsidiary companies, Plentiful Harvest Sdn. Bhd. and Marine Terrace Sdn. Bhd. for a total consideration of RM105,204 which was satisfied by way of an issuance of 1,052,040 ordinary shares of RM0.10 each at par in the Company.

Effects of the acquisition are as follows:

(a) The acquisition has the following effects on the Group's financial results for the current financial period:

	2006 (11 months) RM
Revenue	6,405,677
Profit from operations	4,944,384
Profit after taxation	4,924,197

notes to the financial statements

31 March 2006 (Cont'd)

15. Investments in Subsidiary Companies (Cont'd)

- (b) The acquisition has the following effects on the financial position of the Group as at the end of current financial year:

	2006 RM
Property, plant and equipment	10,800,289
Broodstocks	1,565,414
Deferred tax assets	214,749
Development expenditure	1,359,357
Inventories	1,399,132
Trade and other receivables	5,132,995
Tax refundable	717
Cash and bank balances	1,512,747
Trade and other payables	(647,667)
Hire purchase payables	(104,954)
	<hr/> <hr/> 21,232,779

- (c) The fair values of assets and liabilities assumed from the acquisition of the subsidiary companies were as follows:

	2006 RM
Property, plant and equipment	3,844,245
Broodstocks	880,865
Deferred tax assets	214,749
Development expenditure	357,871
Inventories	1,409,375
Trade and other receivables	1,998,786
Cash and bank balances	2,588,216
Amounts due to directors	(6,856,252)
Dividends payable	(800,000)
Trade and other payables	(1,088,592)
Hire purchase payables	(214,353)
Provision for taxation	(3,233)
	<hr/> <hr/> 2,331,677
Group's share of net assets	2,331,677
Negative goodwill on consolidation	(2,226,473)
	<hr/> <hr/> 105,204
Cost of acquisition	105,204
	<hr/> <hr/> 105,204
Purchase consideration satisfied by ordinary shares issued	105,204
	<hr/> <hr/> 2,588,216
Net cash and cash equivalents of subsidiary companies acquired	2,588,216

16. Broodstocks

	Group 2006 RM
At cost	
At date of acquisition of subsidiary companies	880,865
Additions for the period	781,638
	<hr/>
Amortisation for the period	1,662,503 (48,125)
	<hr/>
At end of year	<u>1,614,378</u>

Maintenance expenditure of immature broodstocks capitalised during the financial period included depreciation charge of RM55,718.

17. Goodwill on Consolidation

	Group 2006 RM
Negative goodwill arising from acquisition of subsidiary companies	(2,226,473)
Recognised in income statement during the period	2,226,473
	<hr/>
	<u>-</u>

18. Development Expenditure

	Group 2006 RM
At date of acquisition of subsidiary companies	357,871
Additions during the period	403,069
	<hr/>
Amortisation for the period	760,940 (12,695)
	<hr/>
At end of year	<u>748,245</u>

This represents expenditure incurred on development of techniques for improvement of operational efficiencies of fish fry hatchery and fish rearing activities.

Development expenditure capitalised during the financial period included depreciation of property, plant and equipment of RM29,567.

notes to the financial statements

31 March 2006 (Cont'd)

19. Inventories

	Group 2006 RM
At cost	
Fishery live stocks	946,535
Fish fry	267,703
Fuel and oil	457
Feeds	111,046
Chemicals	52,796
General stores	20,055
	<hr/>
	1,398,592
At net realisable value	
Fishery live stocks	71,017
	<hr/>
	<hr/> <hr/> 1,469,609

20. Amounts Due from Subsidiary Companies

The amounts are unsecured, interest-free and have no fixed terms of repayment.

21. Trade Receivables

The Group's normal trade credit term is less than 30 days. Other credit terms are assessed and approved on a case-by-case basis.

22. Other Receivables

	Group 2006 RM	Company 2006 RM	2005 RM
Sundry deposits	18,890	500	-
Deposits paid for the acquisition of land	940,290	-	-
Prepayments	249,232	18,150	-
Sundry receivables	153,531	-	-
Advances to construction contractors of hatchery centre	587,799	-	-
# Advances to contractor for purchase of hatchery input materials	888,008	-	-
* Expenditure incurred in connection with the listing exercise	-	-	617,819
	<hr/>		
	2,837,750	18,650	617,819
	<hr/> <hr/>		

These advances are recoverable through deduction of breeding commission payable upon production of fish fry.

* These expenses were set off against the share premium arising from the initial public offering of the Company's share during the year.

23. Fixed Deposits with A Licensed Bank

The weighted average effective interest rate of deposits at the balance sheet is 2.71% per annum.

The maturities of the fixed deposits as at the end of the financial year were as follows:

	Group and Company RM
3 months	4,039,552
6 months	10,133,891
	<hr/>
	14,173,443

24. Trade Payables

The normal trade credit terms granted to the Group range from 30 days to 90 days.

25. Other Payables

	Group 2006 RM	Company	
		2006 RM	2005 RM
Accruals	156,105	15,000	1,000
Sundry payables	129,557	12,314	630,297
	<hr/>		
	285,662	27,314	631,297

26. Hire Purchase Payables

	Group 2006 RM
Minimum hire purchase payments:	
Not later than 1 year	117,004
Later than 1 year and not later than 2 years	89,277
Later than 2 years and not later than 5 years	30,138
	<hr/>
	236,419
Less: Future finance charges	(17,222)
	<hr/>
Present value of hire purchase payables	219,197

notes to the financial statements

31 March 2006 (Cont'd)

26. Hire Purchase Payables (Cont'd)

	Group 2006 RM
Present value of hire purchase payables:	
Not later than 1 year	104,954
Later than 1 year and not later than 2 years	84,723
Later than 2 years and not later than 5 years	29,520
	219,197
Analysed as:	
Due within twelve months	104,954
Due after twelve months	114,243
	219,197

The hire purchase payables bore interest at the balance sheet date of between 6.14% to 10.43% per annum.

27. Share Capital

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised				
At beginning of year/period	1,000,000	1,000,000	100,000	100,000
Created during the year	499,000,000	-	49,900,000	-
			50,000,000	100,000
At end of year/period	500,000,000	1,000,000	50,000,000	100,000
Issued and fully paid				
At beginning of year/period	20	20	2	2
Issuance of ordinary shares during the year pursuant to the listing exercise:				
- for acquisition of subsidiary companies	1,052,040	-	105,204	-
- for settlement of amounts due to previous shareholders of subsidiary companies	68,442,520	-	6,844,252	-
- right issues	5,505,420	-	550,542	-
- public issue	25,000,000	-	2,500,000	-
- bonus issue	200,000,000	-	20,000,000	-
			30,000,000	2
At end of year/period	300,000,000	20	30,000,000	2

28. Share Premium

	Group 2006 RM	Company 2006 RM	2005 RM
The share premium arose from the following:			
Issuance of 25,000,000 ordinary shares at a premium of RM0.89 per share	22,250,000	22,250,000	-
Less: Bonus issue of 200,000,000 ordinary shares	(20,000,000)	(20,000,000)	-
Less: Listing expenses set off against share premium	(1,890,646)	(1,890,646)	-
	<u>359,354</u>	<u>359,354</u>	<u>-</u>

Included in listing expenses is an amount of RM310,000 being non-audit fee paid to the auditors of the Company for acting as Reporting Accountant.

29. Retained Profit

The Company has sufficient balance of tax exempt income account and tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profit as at 31 March 2006.

30. Deferred Tax Assets

	Group 2006 RM
<u>At date of acquisition of subsidiary companies and at end of the year</u>	<u>214,749</u>

The deferred tax assets is in respect of the unutilised tax losses of subsidiary companies.

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Group are subject to no substantial changes in shareholdings of the Group under Section 44(5A), 44(5B) of Income Tax Act, 1967.

Deferred tax assets in respect of unabsorbed capital allowances of the Group amounting to RM752,000 are not recognised as they are expected to be utilised by the subsidiary companies during the 10 years tax exemption period as referred to in Note 11.

notes to the financial statements

31 March 2006 (Cont'd)

31. Net Assets Per Share

The net assets per share is calculated by dividing the shareholders' equity by 300,000,000 ordinary shares of the Company in issue as at 31 March 2006.

32. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group 2006 RM	Company 2006 RM	2005 RM
Fixed deposits with a licensed bank	14,173,443	14,173,443	-
Cash and bank balances	1,957,003	444,256	2
	16,130,446	14,617,699	2

33. Related Party Transactions

Group

	2006		2005	
	Amount of transactions RM	Outstanding amount RM	Amount of transactions RM	Outstanding amount RM
Transaction with a Director:				
Sub-lease rental paid to a Director				
- Datuk Lo Fui Ming	520,000	-	-	-
Transactions entered into pursuant to the restructuring and listing exercise:				
Issuance of Company's ordinary shares as settlement of amounts due to directors:				
- Datuk Lo Fui Ming	3,680,075	-	-	-
- Ho Khin Fong @ Henry Ho	577,199	-	-	-
- Lo Ken Hin	520,625	-	-	-
- Tai, Chu-Chun	429,000	-	-	-
- Chang Mei-Lin @ Tina Chang	350,004	-	-	-

33. Related Party Transactions (Cont'd)

Company

	2006		2005	
	Amount of transactions RM	Outstanding amount RM	Amount of transactions RM	Outstanding amount RM
Transactions entered into pursuant to the restructuring and listing exercise:				
Issuance of Company's ordinary shares as settlement of purchase consideration of subsidiary companies acquired from:				
- Datuk Lo Fui Ming	26,651	-	-	-
- Tai, Chu-Chun	19,833	-	-	-
- Lo Teck Yong	15,781	-	-	-
- Ho Khin Fong @ Henry Ho	13,730	-	-	-
- Lo Ken Hin	13,730	-	-	-
- Chang Mei-Lin @ Tina Chang	10,171	-	-	-
Issuance of shares of the Company for settlement of amounts due to Directors/ shareholders of subsidiary companies, on behalf of:				
- Plentiful Harvest Sdn. Bhd.	5,299,918	5,299,918	-	-
- Marine Terrace Sdn. Bhd.	1,544,334	1,544,334	-	-
Transactions with subsidiary companies:				
Advances given to:				
- Plentiful Harvest Sdn. Bhd.	14,752,664	14,129,882	-	-
- Marine Terrace Sdn. Bhd.	71,110	71,110	-	-
Tax exempt dividends received from:				
- Plentiful Harvest Sdn. Bhd.	350,000	-	-	-
- Marine Terrace Sdn. Bhd.	700,000	-	-	-

All related party transactions were entered onto upon terms and conditions mutually agreed between the relevant parties.

notes to the financial statements

31 March 2006 (Cont'd)

34. Capital Commitments

	Group 2006 RM	Company 2006 RM	2005 RM
Capital expenditure:			
Approved and contracted for:			
- Acquisitions of subsidiary companies	-	-	105,204
Approved but not contracted for:			
- Construction of ponds and cages	8,968,067	-	-
- Construction of office building with training centre, fish fry, packing and distribution centre and a jetty	2,436,306	-	-
- Renovation of new office building	163,719	-	-
- Purchase of broodstocks	240,448	-	-
	11,808,540	-	-
	11,808,540	-	105,204

35. Segmental Information

No segmental information is being presented as the Group is operating principally in one industry and within the country.

36. Comparative Figures

As this is the Company's first set of consolidation financial statements drawn up, there are no comparative figures for the Group.



list of properties

The summary of the information on landed properties owned by our Group is as follows:

Address	Description of Property / Existing Use	Status/ Registered Owner	Audited Net Book Value as at 31 March 2006 RM	Approximate age of Building (Years) / CF Status	Tenure / Expiry Date of Lease	Approximate Land Area / Approximate Total Built-up Area Sq. ft.
CL 075402256 Airport Road, District of Sandakan, Sandakan, Sabah	A parcel of aquaculture land which is currently vacant	Owned/ Plentiful Harvest Sdn Bhd	77,143	Not applicable	99 years leasehold land expiring on 31.12.2080	3.69 acres
CL 075371087 Kampung Sungai Kayu, District of Sandakan, Sandakan, Sabah	A parcel of aquaculture land which has been developed into fish ponds	Owned/ Plentiful Harvest Sdn Bhd	552,252	Not applicable	99 years leasehold land expiring on 31.12.2079	13.38 acres
NT 073026472 Kampung Sungai Kayu, District of Sandakan, Sandakan, Sabah	A parcel of aquaculture land which has been developed into fish ponds	Subleased/ Datuk Lo Fui Ming	1,473,541	Not applicable	30 years	13.00 acres

analysis of shareholdings

as at 20 June 2006

Authorised Capital	:	RM50,000,000
Issued and Fully Paid-Up Capital	:	RM30,000,000
Class of Shares	:	Ordinary Shares of 10 sen each fully paid
Voting Rights	:	One vote per share

ANALYSIS BY SIZE OF SHAREHOLDING

	No. of holders	%	No. of shares	%
1 - 99	8	0.71	405	0.00
100 - 999	17	1.52	6,050	0.00
1,000 - 4,999	294	26.20	813,800	0.27
5,000 - 10,000	327	29.14	2,636,200	0.88
10,001 - 100,000	350	31.20	13,513,605	4.51
100,001 - 1,000,000	89	7.93	31,898,460	10.63
above 1,000,000 shares	37	3.30	251,131,480	83.71
Total	1,122	100.00	300,000,000	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 20 JUNE 2006

Name	No. of Shares Direct	%	No. of Shares Indirect	%
1. Datuk Lo Fui Ming	117,276,271	39.09	-	-
2. Ho Khin Fong @ Henry Ho	18,939,936	6.31	-	-
3. Lo Ken Hin	15,643,196	5.21	-	-

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 20 JUNE 2006

Name	No. of Shares Direct	%	No. of Shares Indirect	%
1. Datuk Md Kamal bin Bilal	2,180,000	0.73	-	-
2. Datuk Lo Fui Ming	117,276,271	39.09	-	-
3. Ho Khin Fong @ Henry Ho	18,939,936	6.31	-	-
4. Lo Ken Hin	15,643,196	5.21	-	-
5. Lo Teck Yong	3,651,330	1.22	-	-
6. Dora Chiu Kui Tzu	100,000	0.03	-	-
7. Chong Khing Chung	40,000	0.01	-	-
8. Chang Mei-Lin @ Tina Chang	10,068,988	3.36	-	-
9. Hotani Akinori	135,000	0.05	-	-

THE 30 LARGEST SECURITIES ACCOUNT HOLDERS

NAME	SHARES HELD	%
1. LO FUI MING	102,011,271	34.00
2. HO KHIN FONG @ HENRY HO	16,439,936	5.48
3. LO KEN HIN	14,493,196	4.83
4. TAI, CHU-CHUN	12,173,588	4.06
5. TINA CHANG, MEI-LIN	10,068,988	3.36
6. KAF NOMINEES (TEMPATAN) QUALIFIER: TEH & LEE FOR LO FUI MING	9,000,000	3.00
7. CHIN LIH LIH	6,522,700	2.17
8. HDM NOMINEES (TEMPATAN) SDN BHD QUALIFIER: MESSRS TEH & LEE FOR LO FUI MING	6,000,000	2.00
9. CIMSEC NOMINEES (TEMPATAN) SDN BHD QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR FARA NAZREEN BINTI KHAIR	6,000,000	2.00
10. WONG YIN FA	5,910,000	1.97
11. CHAM HING KOK	5,636,900	1.88
12. CHUNG SIEW HA	4,083,000	1.36
13. AFFIN NOMINEES (TEMPATAN) SDN BHD QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR YONG CHAN VUI (YON0770C)	4,015,700	1.34
14. FONG YOKE LIN	4,000,000	1.33
15. LO TECK YONG	3,651,330	1.22
16. CIMSEC NOMINEES (ASING) SDN BHD QUALIFIER: NITTO SEIMO CO. LTD.	3,000,000	1.00
17. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR TAN KUM PENG (120031)	2,872,100	0.96
18. LIM NYUK FOH	2,850,000	0.95
19. HDM NOMINEES (TEMPATAN) SDN BHD QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR CHIN LIH LIH (M02)	2,550,000	0.85
20. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR HO KHIN FONG @ HENRY HO (120030)	2,500,000	0.83
21. MD KAMAL BIN BILAL	2,180,000	0.73
22. TOH SIEW CHOO	2,000,000	0.67
23. FUNG KEK NAN	1,997,900	0.67
24. KOH KIN LIP	1,958,000	0.65
25. YEO YEE SHUNG	1,837,000	0.61
26. AMANAH RAYA BERHAD QUALIFIER: SBB DANA AL-FAIZ	1,800,000	0.60
27. HAN CHAW KWANG	1,753,653	0.58
28. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR CHEONG CHENG ONN (100585)	1,700,000	0.57
29. CHONG TZE HAN	1,349,925	0.45
30. RC NOMINEES (TEMPATAN) SDN BHD QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR TANG CHOOI LEAN (C03DSH2SHT408M)	1,300,000	0.43
	241,655,187	80.55



notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of the Company will be held at Ballroom of Sabah Hotel Sandakan, KM 1 Jalan Utara, Sandakan, Sabah on Friday, 4 August 2006 at 10.00 a.m. for the following business:

AGENDA

Resolution No:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 March 2006 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of a tax exempt dividend of 3.5% for the financial year ended 31 March 2006. 1
3. To approve the payment of Directors' fees. 2
4. To re-elect the following Directors retiring in accordance with Article 99 of the Company's Articles of Association:
 - i) Datuk Md Kamal Bin Bilal 3
 - ii) Datuk Lo Fui Ming 4
 - iii) Mr. Lo Ken Hin 5
 - iv) Mr. Lo Teck Yong 6
 - v) Mr. Chong Khing Chung 7
 - vi) Akinori Hotani 8
 - vii) Mdm Chang Mei-Lin @ Tina Chang 9
 - viii) Mdm Dora Chiu Kui Tzu 10
5. To re-appoint Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. 11
6. As Special Business to consider and if thought fit, to pass the following resolution, with or without modifications:-

AS ORDINARY RESOLUTION – AUTHORITY TO ISSUE SHARES

"THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being." 12

7. As Special Business to consider and if thought fit, to pass the following resolution, with or without modifications:-

AS SPECIAL RESOLUTION – PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

"THAT the proposed deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as contained in Appendix I attached to the Annual Report 2006 be and are hereby approved." 13

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

notice of annual general meeting (Cont'd)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a tax exempt dividend of 3.5% for the financial year ended 31 March 2006, if approved by shareholders, will be paid on 25 August 2006 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 15 August 2006.

A Depositor shall qualify for entitlement only in respect of:-

- a. shares transferred to the Depositor's Securities Account before 4.00 p.m. on 15 August 2006 in respect of transfers; and
- b. shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

CHONG TZU KHEN

KANG SHEW MENG

SEOW FEI SAN

Secretaries

Selangor Darul Ehsan

13 July 2006

Notes:

- (a) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.
- (b) The instrument of proxy shall be deposited at 312, 3rd Floor Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.
- (c) Only a depositor whose name appears on the Record of Depositors as at 28 July 2006 Shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Explanatory Note on Special Business

- **Resolution 12**

The proposed Ordinary Resolution 12, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company.

- **Resolution 13**

The proposed Amendments to the Articles of Association of the Company are made to comply with the revamped Listing Requirements of the Bursa Malaysia Securities Berhad for the MESDAQ Market. Please refer to the document marked Appendix I attached to the Annual Report 2006 for details of the Proposed Amendments.

statement accompanying

notice of annual general meeting

1. Names of directors who are standing for election

- | | |
|------------------------------|--------------|
| (a) Datuk Md Kamal Bin Bilal | - Article 99 |
| (b) Datuk Lo Fui Ming | - Article 99 |
| (c) Mr. Lo Ken Hin | - Article 99 |
| (d) Mr. Lo Teck Yong | - Article 99 |
| (e) Mr. Chong Khing Chung | - Article 99 |
| (f) Akinori Hotani | - Article 99 |
| (g) Mdm Tina Chang, Mei-Lin | - Article 99 |
| (h) Mdm Dora Chiu Kui Tzu | - Article 99 |

2. Place, date and time of the Second Annual General Meeting

Place	Date	Time
Ballroom of Sabah Hotel Sandakan, KM 1, Jalan Utara, Sandakan, Sabah	Friday 4 August 2006	10.00 a.m.

3. Further details of the abovementioned retiring directors are set out on pages 7 to 8 of this Annual Report.

4. Details of attendance of directors at Board Meetings held during the financial year

<u>Name</u>	<u>Meetings attended</u>
Datuk Md Kamal Bin Bilal	2/2
Datuk Lo Fui Ming	2/2
Mr. Lo Ken Hin	2/2
Mr. Lo Teck Yong	2/2
Mr. Chong Khing Chung	2/2
Akinori Hotani (appointed on 24.03.2006)	-
Mdm Tina Chang, Mei-Lin	1/2
Mdm Dora Chiu Kui Tzu	1/2



form of proxy

No of Shares Held

I/We _____
(BLOCK LETTERS)

NRIC No./Company No. _____

of _____

being (a) Member(s) of BORNEO AQUA HARVEST BERHAD (649504-D) hereby appoint _____

of _____

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Second Annual General Meeting of the Company to be held at Ballroom of Sabah Hotel Sandakan, KM 1 Jalan Utara, Sandakan, Sabah on Friday, 4 August 2006 at 10.00 a.m. and at any adjournment thereof and to vote as indicated below:-

	FOR	AGAINST
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
ORDINARY RESOLUTION 3		
ORDINARY RESOLUTION 4		
ORDINARY RESOLUTION 5		
ORDINARY RESOLUTION 6		
ORDINARY RESOLUTION 7		
ORDINARY RESOLUTION 8		
ORDINARY RESOLUTION 9		
ORDINARY RESOLUTION 10		
ORDINARY RESOLUTION 11		
ORDINARY RESOLUTION 12		
SPECIAL RESOLUTION 13		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this day of, 2006

 Signature / Seal of Member

Notes:

- (a) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.
- (b) The instrument of proxy shall be deposited at 312, 3rd Floor Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.
- (c) Only a depositor whose name appears on the Record of Depositors as at 28 July 2006 Shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

fold here

Affix
stamp
here

The Company Secretary
BORNEO AQUA HARVEST BERHAD (649504-D)
312, 3rd Floor Block C Kelana Square,
17 Jalan SS7/26, 47301 Petaling Jaya,
Selangor Darul Ehsan

fold here

Borneo Aqua Harvest Berhad (649504-D)

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URL : www.borneoaqua.com.my

