

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2013

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter ended 30.09.2013 RM'000	Quarter ended 30.09.2012 RM'000	Year to date 30.09.2013 RM'000	Year to date 30.09.2012 RM'000
Revenue	7,357	7,037	12,306	15,670
Cost of Sales	(3,580)	(2,732)	(6,677)	(6,073)
Gross Profit	3,777	4,305	5,629	9,597
Other Income	267	7	564	37
Other expenses	-	(19)	-	(35)
Distribution Costs	(1,948)	(1,064)	(3,164)	(2,909)
Administrative Expenses	(2,454)	(559)	(4,635)	(1,009)
(Loss) / Profit from Operations	(358)	2,670	(1,606)	5,681
Finance Costs	(333)	(453)	(645)	(938)
(Loss) / Profit Before Tax	(691)	2,217	(2,251)	4,743
Income Tax Expense	-	-	-	-
(Loss) / Profit for the period	(691)	2,217	(2,251)	4,743
Other comprehensive loss:				
Foreign currency translation	-	1	-	(2)
Total comprehensive (loss) / Profit for the period	(691)	2,218	(2,251)	4,741
(Loss) / Profit for the period attributable to:				
Equity holders of the parent	(691)	2,217	(2,251)	4,743
Minority interests	-	-	-	-
	(691)	2,217	(2,251)	4,743
(Loss) / Earnings per Share attributable to equity holders of the parent (sen)				
- Basic	(0.17)	0.63	(0.59)	1.36
- Diluted	(0.17)	0.72	(0.55)	0.72

Note:

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2013 and accompanying explanatory notes to the interim financial statements.

BORNEO AQUA HARVEST BERHAD (649504-D)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

	As at 30.09.2013	As at 31.03.2013 Restated
	RM'000	RM'000
Non-Current Assets		
Property, plant and equipment	58,173	60,769
Land use rights	2,003	2,032
Intangible assets	-	2
Biological assets	5,673	3,825
	65,849	66,628
Current Assets		
Inventories	330	459
Biological assets	42,863	37,400
Trade receivables	28,885	20,530
Other receivables	2,989	2,407
Tax refundable	47	29
Fixed deposits with a licensed bank	8,000	-
Cash and bank balances	1,231	547
	84,345	61,372
Total Assets	150,194	128,000
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	39,778	35,550
Share premium	55,061	24,628
Employee share options reserve	11,675	10,221
Retained earnings	11,793	14,044
Foreign currency translation reserve	(95)	(95)
Total equity	118,212	84,348
Non-Current Liabilities		
Borrowings	4,313	4,458
Deferred government grants received	7,980	8,018
Deferred tax liabilities	4,988	4,988
	17,281	17,464
Current Liabilities		
Trade and other payables	5,667	11,780
Borrowings	9,034	14,408
	14,701	26,188
Total liabilities	31,982	43,652
TOTAL EQUITY AND LIABILITIES	150,194	128,000
Net asset per share attributable to ordinary equity holder (sen)	29.72	23.73

Note:

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2013 and accompanying explanatory notes to the interim financial statements.

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(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2013

	Share Capital	Share Premium	Employee share Options Reserve	Foreign Currency Translation Reserves	Distributable Retained Earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 April 2012	35,000	19,990	-	(91)	18,824	73,723
Share options granted under ESOS	-	-	11,559	-	-	11,559
Exercise of employee share options	550	4,638	(1,338)	-	-	3,850
Total comprehensive loss for the year	-	-	-	(4)	(4,780)	(4,784)
As at 31 March 2013	<u>35,550</u>	<u>24,628</u>	<u>10,221</u>	<u>(95)</u>	<u>14,044</u>	<u>84,348</u>
As at 1 April 2013	35,550	24,628	10,221	(95)	14,044	84,348
Issue of shares	3,500	24,500				28,000
Transaction cost	-	(204)				(204)
Share options granted under ESOS	-		3,225	-	-	3,225
Exercise of employee share options	728	6,137	(1,771)	-	-	5,094
Total comprehensive loss for the period	-	-	-	-	(2,251)	(2,251)
As at 30 September 2013	<u>39,778</u>	<u>55,061</u>	<u>11,675</u>	<u>(95)</u>	<u>11,793</u>	<u>118,212</u>

Note:

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2013 and accompanying explanatory notes to the interim financial statements.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 30 SEPTEMBER 2013

	Quarter ended 30.09.2013 RM'000	Quarter ended 30.09.2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before tax	(2,251)	4,743
Adjustment for:		
Non cash items	7,664	3,789
Operating profit before working capital changes	5,413	8,532
Net changes in current assets	(13,816)	(2,752)
Net changes in current liabilities	(6,413)	4,459
Net cash from operating activities	<u>(14,816)</u>	<u>10,239</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of plant and equipments	-	79
Purchase of plant and equipment	(976)	(6,933)
Additions of biological assets	(2,233)	-
Proceed from government grants	389	-
Net cash used in investing activities	<u>(2,820)</u>	<u>(6,854)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	28,000	-
Share issue expense	(204)	-
Payment of hire purchase payables	(119)	(120)
Overdraft interest	(390)	(705)
Loan interest	(239)	(219)
Interest income	60	*
Income tax (paid) / refund	(19)	(9)
Proceed from exercise of employee share options	5,094	-
Repayment of loan	(457)	(630)
Net cash used in financing activities	<u>31,726</u>	<u>(1,683)</u>
Increase in cash and cash equivalents	14,090	1,702
Effect on foreign exchange translation differences	1	(2)
Cash and cash equivalents at beginning of period	(10,814)	(17,322)
Cash and cash equivalents at end of period	<u>3,277</u>	<u>(15,622)</u>
Cash and cash equivalents comprise:		
Fixed deposits with a licensed bank	8,000	-
Cash and bank balances	1,231	323
Bank overdraft	(5,954)	(15,945)
	<u>3,277</u>	<u>(15,622)</u>

Note:

*Interest income denotes RM0.27 (30.09.2012).

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2013 and accompanying explanatory notes to the interim financial statements.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

1. Basis of Preparation and Accounting Policies

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

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

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2013. These explanatory notes attached to the interim financial statements provides an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2013.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2013, except for the adoptions of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations.

Description	Effective for annual periods beginning on or after
FRS 101 Presentation of Items of Other Comprehensive Income (Amendments to FRS 101)	1 July 2012
Amendments to FRS 101 Presentation of Financial Statements (Improvements to FRSs (2012))	1 January 2013
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interest in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (2011) Employee Benefits	1 January 2013
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investment in Associates and Joint Ventures	1 January 2013
Amendments to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 1 First-time Adoption of Malaysia Financial Reporting Standards - Government Loans	1 January 2013
Amendments to FRS 1 First-time Adoption of Malaysia Financial Reporting Standards	1 January 2013
Amendments to FRS 116 Property, Plant and Equipment (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 132 Financial Instruments : Presentation (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 134 Interim Financial Reporting (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 10 Consolidated Financial Statements : Transition Guidance	1 January 2013
Amendments to FRS 11 Joint Arrangements : Transition Guidance	1 January 2013
Amendments to FRS 12 Disclosure of Interest in Other Entities : Transition Guidance	1 January 2013
Amendments to FRS 10 Consolidated Financial Statements - Investment Entities	1 January 2014
Amendments to FRS 12 Disclosure of Interest in Other Entities - Investment Entities	1 January 2014
Amendments to FRS 127 (2011) Separate Financial Statements - Investment Entities	1 January 2014
Amendments to FRS 132 Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

The adoptions of above FRSs, Amendments to FRSs and Interpretations do not have any significant impact to the interim financial statements of the Group.

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group and the Company falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of this financial statement, the Group and the Company have not completed their quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 March 2012 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 March 2015.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 March 2013 was not qualified.

3. Seasonal and Cyclical Factors

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

4. Unusual Items due to their Nature, Size or Incidence

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

5. Changes in Estimates

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

6. Debts and Equity Securities

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

7. Dividend Paid

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

8. Segmental Reporting

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

9. Profit / (Loss) Before Taxation

The following items have been included in arriving at Profit / (Loss) before taxation:-

	Current Quarter RM'000	Current Year-To-Date RM'000
(i) Interest Income;	(40)	(60)
(ii) Other income including investment income;	(227)	(504)
(iii) Interest Expense;	333	645
(iv) Depreciation and amortization;	2,096	4,159
(v) (Gain) or loss on disposal of quoted or unquoted investments or properties;	-	-
(vi) Foreign exchange (gain) or loss;	12	10

Note: Save for the above items, there are no other items required to be disclosed according to Note 16 of Appendix 9B on Quarterly Report issued by Bursa Malaysia.

10. Subsequent Events

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

11. Changes in Composition of the Group

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

12. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 30 September 2013.

13. Review of Performance

The Group recorded a revenue and gross profit of RM7.357 million and RM3.777 million respectively for the current quarter, representing a slight increase of 4.55% and a decrease 12.26% respectively as compared to the corresponding period in 2012.

The Group recorded a loss before taxation of RM0.691 million, mainly due to cost incurred for prospecting and exploration of mineral at Bukit Mantri, Tawau of RM0.277 million, higher maintenance cost of live fish vessels of RM0.584 million and additional non-cash employee benefit cost of RM1.612 million for the current quarter, arising from the fair value accounting adopted for shares option granted pursuant to an Employee Share Option Scheme ("ESOS") implemented by the Company for eligible employees and directors. The ESOS shares were fully allocated and are to be exercised over a period of 5 years from 15 January 2013 to 14 January 2018. The said additional non-cash employee benefit cost for the current quarter was charged out as administrative expenses. Should the said additional non-cash employee benefit cost for the current quarter be excluded, the Group would record an operational profit of RM1.25 million and a profit before taxation of RM0.921 million for the current quarter.

The loss before taxation of RM0.691 million for the current quarter representing a significant decrease of 131.15% as compared to a profit before taxation of RM2.217 million recorded in the corresponding period in 2012, due to the reasons mentioned in the paragraph stated above.

14. Comments on Material Change in Profit Before Taxation

Revenue for the second quarter ended 30 September 2013 ("Q2") increased to RM7.357 million as compared to RM4.949 million recognised in the first quarter ended 30 June 2013 ("Q1"). The increase is due to the increase in revenue and the fish price in Hong Kong and China during the period.

The higher revenue recorded by the Group in Q2 as explained above, had resulted in the Group reporting a higher gross profit of RM3.777 million as compared to a gross profit of RM1.852 million in Q1. Despite a higher gross profit, the Group recorded a net loss of RM0.691 million as compared to a net loss of RM1.560 million in Q1 as at 30 June 2013, due to the reasons mentioned in noted 13 above.

15. Company's Prospects

Barring any unforeseen circumstances, the Board of Directors anticipates that the Group will be able to achieve a satisfactory operating results for the financial year ending 31 March 2014.

16. Variance on Profit Forecast

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

17. Income Tax Expense

No taxation has been provided for the current quarter and financial year-to-date. Two subsidiary companies of Borneo Aqua namely, Plentiful Harvest Sdn Bhd and Marine Terrace Sdn Bhd have been granted tax incentive under Section 127 of the Income Tax Act, 1967 whereby the two companies are exempted from tax on statutory income from fish breeding, fish fry hatchery and fish rearing activities for a period of 10 years commencing from 1 April 2004.

18. Corporate Proposals

Utilisation of Private Placement Proceeds

The status of utilisation of the proceeds from the Private Placement as at 30 September 2013 are as follows:

	Proceeds Raised	Amounts Utilised	Amounts Unutilised
	RM'000	RM'000	RM'000
Capital expenditure :			
a) New nursery and hatchery centres			
- Construction of one unit of nursery centre and one unit of hatchery centre	3,255	-	3,255
- Construction of access roads to nursery and hatchery centre	800	-	800
- Electricity supply infrastructure	2,000	-	2,000
b) Refurbishment cost for a live fish vessel	3,000	947	2,053
c) Nursery centres under construction			
- Payment for settlement of contractors' fee for the construction of three nursery centres	3,491	3,491	-
Working capital	15,154	9,032	6,122
Private Placement expenses	300	204	96
	<u>28,000</u>	<u>13,674</u>	<u>14,326</u>

Note :

Part of the unutilised proceeds amounting to RM8.0 million are placed with a licensed bank in the form of fixed deposits and the balance of RM6.326 million are at the current account of licensed banks.

19. Borrowings

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

	As at 30.09.2013 RM'000	As at 31.03.2013 RM'000
Short term borrowings:		
Hire purchase payables	200	164
Bank Loan	2,880	2,883
Bank overdraft	5,954	11,361
	<u>9,034</u>	<u>14,408</u>
Long term borrowing:		
Hire purchase payables	255	79
Bank loan	4,058	4,379
	<u>4,313</u>	<u>4,458</u>

The borrowings are denominated in Ringgit Malaysia.

20. Realised and Unrealised Profits

	As At 30.09.2013 RM '000	As At 31.03.2013 RM '000
Total retained profits of Borneo Aqua Harvest Berhad and its subsidiaries:		
- Realised	839	3,030
- Unrealised	4,965	5,011
	<u>5,804</u>	<u>8,041</u>
Add / (Less) : Consolidated adjustments	5,989	6,003
Total Group retained profits	<u>11,793</u>	<u>14,044</u>

21. Material Litigation

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

22. Earnings Per Share

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

	Current Quarter 30.09.2013	Preceding Year Corresponding Quarter 30.09.2012	Current Year-To-Date 30.09.2013	Preceding Year-To-Date 30.09.2012
(Loss) / Profit for the period (RM'000)	(691)	2,217	(2,251)	4,743
Weighted average number of ordinary shares in issue ('000)	395,533	350,000	384,749	350,000
Basic (Loss) / earnings per share (sen)	(0.17)	0.63	(0.59)	1.36
Diluted earnings per share (sen)	(0.17)	0.72	(0.55)	0.72

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

23. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 November, 2013.

By Order of the Board

Kang Shew Meng
Seow Fei San
Chong Tzu Khen
Company Secretaries

Sandakan
28 November, 2013