

**BORNEO AQUA HARVEST BERHAD (649504-D)**  
(Incorporated in Malaysia)  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 31 DECEMBER 2013**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter ended 31.12.2013 RM'000	Quarter ended 31.12.2012 RM'000	Year to date 31.12.2013 RM'000	Year to date 31.12.2012 RM'000
Revenue	3,671	7,367	15,977	23,037
Cost of Sales	(1,492)	(3,309)	(8,169)	(9,382)
<b>Gross Profit</b>	2,179	4,058	7,808	13,655
Other Income	281	45	845	82
Other expenses	-	(15)	-	(50)
Distribution Costs	(1,242)	(1,263)	(4,406)	(4,172)
Administrative Expenses	(2,310)	(427)	(6,945)	(1,436)
<b>(Loss) / Profit from Operations</b>	(1,092)	2,398	(2,698)	8,079
Finance Costs	(300)	(386)	(945)	(1,324)
<b>(Loss) / Profit Before Tax</b>	(1,392)	2,012	(3,643)	6,755
Income Tax Expense	-	-	-	-
<b>(Loss) / Profit for the period</b>	(1,392)	2,012	(3,643)	6,755
<b>Other comprehensive loss:</b>				
Foreign currency translation	-	-	-	(2)
<b>Total comprehensive (loss) / Profit for the period</b>	(1,392)	2,012	(3,643)	6,753
(Loss) / Profit for the period attributable to:				
Equity holders of the parent	(1,392)	2,012	(3,643)	6,755
Minority interests	-	-	-	-
	(1,392)	2,012	(3,643)	6,755
(Loss) / Earnings per Share attributable to equity holders of the parent (sen)				
- Basic	(0.35)	0.57	(0.93)	1.93
- Diluted	(0.34)	0.72	(0.86)	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)**  
(Incorporated in Malaysia)  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013**

	As at 31.12.2013	As at 31.03.2013
	RM'000	RM'000
<b>Non-Current Assets</b>		
Property, plant and equipment	58,843	60,769
Land use rights	1,988	2,032
Intangible assets	-	2
Biological assets	5,420	3,825
	66,251	66,628
<b>Current Assets</b>		
Inventories	457	459
Biological assets	48,674	37,400
Trade receivables	29,631	20,530
Other receivables	2,434	2,407
Tax refundable	65	29
Fixed deposits with a licensed bank	5,000	-
REPO	2,000	-
Cash and bank balances	1,299	547
	89,560	61,372
<b>Total Assets</b>	<b>155,811</b>	<b>128,000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	40,244	35,550
Share premium	58,992	24,628
Employee share options reserve	12,153	10,221
Retained earnings	10,401	14,044
Foreign currency translation reserve	(95)	(95)
<b>Total equity</b>	121,695	84,348
<b>Non-Current Liabilities</b>		
Borrowings	3,957	4,458
Deferred government grants received	7,761	8,018
Deferred tax liabilities	4,988	4,988
	16,706	17,464
<b>Current Liabilities</b>		
Trade and other payables	3,570	11,780
Borrowings	13,840	14,408
	17,410	26,188
<b>Total liabilities</b>	34,116	43,652
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>155,811</b>	<b>128,000</b>
<b>Net asset per share attributable to ordinary equity holder ( sen )</b>	30.24	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.*

**BORNEO AQUA HARVEST BERHAD (649504-D)**  
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**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 31 DECEMBER 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	-		4,837	-	-	4,837
Exercise of employee share options	1,194	10,068	(2,905)	-	-	8,357
Total comprehensive loss for the period	-	-	-	-	(3,643)	(3,643)
As at 31 December 2013	<u>40,244</u>	<u>58,992</u>	<u>12,153</u>	<u>(95)</u>	<u>10,401</u>	<u>121,695</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 31 DECEMBER 2013**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE QUARTER ENDED 31 DECEMBER 2013**

	<b>Quarter ended 31.12.2013 RM'000</b>	<b>Quarter ended 31.12.2012 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before tax	(3,643)	6,755
Adjustment for:		
Non cash items	<u>11,604</u>	<u>5,588</u>
Operating profit before working capital changes	7,961	12,343
Net changes in current assets	(19,952)	(6,766)
Net changes in current liabilities	(8,510)	6,823
Net cash from operating activities	<u>(20,501)</u>	<u>12,400</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposals of plant and equipments	-	140
Proceeds from disposal of broodstock	-	-
Purchase of plant and equipment	(3,667)	(7,641)
Additions of biological assets	(2,233)	(8)
Proceed from government grants	389	-
Net cash used in investing activities	<u>(5,511)</u>	<u>(7,509)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	28,000	-
Share issue expense	(204)	-
Payment of hire purchase payables	(181)	(167)
Overdraft interest	(571)	(1,011)
Loan interest	(352)	(293)
Interest income	109	*
Income tax (paid) / refund	(36)	5
Proceed from exercise of employee share options	8,357	-
Repayment of loan	(692)	(775)
Net cash used in financing activities	<u>34,430</u>	<u>(2,241)</u>
<b>Increase in cash and cash equivalents</b>	<b>8,418</b>	<b>2,650</b>
<b>Effect on foreign exchange translation differences</b>	<b>1</b>	<b>(2)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>(10,814)</b>	<b>(17,322)</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>(2,395)</u></b>	<b><u>(14,674)</u></b>
Cash and cash equivalents comprise:		
Fixed deposits with a licensed bank	5,000	-
REPO	2,000	-
Cash and bank balances	1,299	312
Bank overdraft	<u>(10,694)</u>	<u>(14,986)</u>
	<u>(2,395)</u>	<u>(14,674)</u>

Note:

\*Interest income denotes RM0.49 (31.12.2012).

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 31 DECEMBER 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 2015.

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 2016. 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 2013 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 2016.

## 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;	(49)	(109)
(ii) Other income including investment income;	(232)	(736)
(iii) Interest Expense;	300	945
(iv) Depreciation and amortization;	2,200	6,359
(v) (Gain) or loss on disposal of quoted or unquoted investments or properties;	-	-
(vi) Foreign exchange (gain) or loss;	5	15

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

As announced on 24 Jan 2014, Borneo Aqua had, through its wholly-owned subsidiary, Plentiful Harvest Sdn Bhd acquired 100,000 ordinary shares of RM1 each representing the entire issued and paid up capital of Plentiful Earnings Sdn Bhd ("PESB") for a cash consideration of RM100,000. The principal activities of PESB are to carry on business in marine aquaculture, operation of fish rearing and marine aquaculture related activities.

## 12. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 31 December 2013.

### 13. Review of Performance

The Group recorded a revenue and gross profit of RM3.671 million and RM2.179 million respectively for the current quarter, representing a decrease of 50.17% and a decrease 46.30% respectively as compared to the corresponding period in 2012.

The Group recorded a loss before taxation of RM1.391 million, mainly due to 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 RM0.521 million and a profit before taxation of RM0.221 million for the current quarter. During the period, the Group had also incurred RM0.220 million for prospecting and exploration of minerals.

The loss before taxation of RM1.391 million for the current quarter representing a significant decrease of 169.14% as compared to a profit before taxation of RM2.012 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 third quarter ended 31 December 2013 ("Q3") decreased to RM3.671 million as compared to RM7.357 million recognised in the second quarter ended 30 September 2013 ("Q2"). The decrease in revenue is in line with the Group's recently adopted strategy to rear part of its Hybrid Groupers to above 6 kgs before selling them as they will be able to generate higher revenue for the Group in the future. The Group's Hybrid Groupers are fast growing species that are expected to grow at the rate of Feed Conversion Rate (FCR) of 5:1 once they reach a body weight of 2 kgs and above.

The lower revenue recorded by the Group in Q3 as explained above, had resulted in the Group reporting a gross profit of RM2.179 million as compared to a gross profit of RM3.777 million in Q2 representing a better gross profit margin resulting from better production. The Group recorded a net loss of RM1.391 million as compared to a net loss of RM0.691 million in Q2 as at 30 September 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 company had made an announcement to Bursa Malaysia Security on 10 December 2013 to revise the utilisation of the placement proceeds. The status of utilisation of the proceeds from the Private Placement as at 31 December 2013 are as follows:

	Proceeds Raised	Amounts Utilised	Transfer	Amounts Unutilised
	RM'000	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	800	-	(800)	-
- Electricity supply infrastructure	2,000	-	(2,000)	-
b) Refurbishment cost for a live fish vessel	3,000	(1,123)	(1,877)	-
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	(14,928)	8,028	8,254
Private Placement expenses	300	(204)	(96)	-
	<u>28,000</u>	<u>(19,746)</u>	<u>-</u>	<u>8,254</u>

Note :

Part of the unutilised proceeds amounting to RM5.0 million and RM2.0 million are placed with a licensed bank in the form of fixed deposits and REPO respectively, and the balance of RM1.254 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 31.12.2013 RM'000	As at 31.03.2013 RM'000
Short term borrowings:		
Hire purchase payables	168	164
Bank Loan	2,978	2,883
Bank overdraft	10,694	11,361
	<u>13,840</u>	<u>14,408</u>
Long term borrowing:		
Hire purchase payables	232	79
Bank loan	3,725	4,379
	<u>3,957</u>	<u>4,458</u>

The borrowings are denominated in Ringgit Malaysia.

## 20. Realised and Unrealised Profits

	As At 31.12.2013 RM '000	As At 31.03.2013 RM '000
Total (accumulated losses) / retained profits of Borneo Aqua Harvest Berhad and its subsidiaries:		
- Realised	(572)	3,030
- Unrealised	4,971	5,011
	<u>4,399</u>	<u>8,041</u>
Add / (Less) : Consolidated adjustments	6,002	6,003
Total Group retained profits	<u>10,401</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 31.12.2013	Preceding Year Corresponding Quarter 31.12.2012	Current Year-To-Date 31.12.2013	Preceding Year-To-Date 31.12.2012
(Loss) / Profit for the period (RM'000)	(1,392)	2,012	(3,643)	6,755
Weighted average number of ordinary shares in issue ('000)	400,133	350,000	389,896	350,000
Basic (Loss) / earnings per share (sen)	(0.35)	0.57	(0.93)	1.93
Diluted earnings per share (sen)	(0.34)	0.72	(0.86)	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 20 February, 2014.

### By Order of the Board

Kang Shew Meng  
Seow Fei San  
Chong Tzu Khen  
Company Secretaries

Sandakan  
20 February, 2014