

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2014

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter ended 31.03.2014 RM'000	Quarter ended 31.03.2013 RM'000	Year to date 31.03.2014 RM'000	Year to date 31.03.2013 RM'000
Revenue	7,046	7,592	23,023	30,629
Cost of Sales	(3,290)	(3,918)	(11,459)	(13,300)
Gross Profit	3,756	3,674	11,564	17,329
Other Income	842	648	1,687	730
Other expenses	(115)	(5)	(115)	(55)
Distribution Costs	(1,528)	(1,393)	(5,934)	(5,565)
Administrative Expenses	(2,278)	(12,251)	(9,223)	(13,687)
Profit / (Loss) from Operations	677	(9,327)	(2,021)	(1,248)
Finance Costs	(306)	(396)	(1,251)	(1,720)
Profit / (Loss) Before Tax	371	(9,723)	(3,272)	(2,968)
Income Tax Expense	(1,011)	(1,812)	(1,011)	(1,812)
(Loss) / Profit for the year	(640)	(11,535)	(4,283)	(4,780)
Other comprehensive loss:				
Foreign currency translation	-	(2)	-	(4)
Total comprehensive (loss) / Profit for the year	(640)	(11,537)	(4,283)	(4,784)
(Loss) / Profit for the period attributable to:				
Equity holders of the parent	(640)	(11,535)	(4,283)	(4,780)
Minority interests	-	-	-	-
	(640)	(11,535)	(4,283)	(4,780)
(Loss) / Earnings per Share attributable to equity holders of the parent (sen)				
- Basic	(0.16)	(3.27)	(1.09)	(1.40)
- Diluted	(0.12)	(1.34)	(0.13)	(1.39)

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 FOURTH QUARTER ENDED 31 MARCH 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	As at 31.03.2014	As at 31.03.2013
	RM'000	RM'000
Non-Current Assets		
Property, plant and equipment	57,284	60,769
Land use rights	1,974	2,032
Intangible assets	32	2
Biological assets	5,166	3,825
	64,456	66,628
Current Assets		
Inventories	408	459
Biological assets	52,439	37,400
Trade receivables	30,614	20,530
Other receivables	3,102	2,407
Tax refundable	76	29
Fixed deposits with a licensed bank	-	-
REPO	5,000	-
Cash and bank balances	851	547
	92,490	61,372
Total Assets	156,946	128,000
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	40,522	35,550
Share premium	61,338	24,628
Employee share options reserve	13,145	10,221
Retained earnings	9,761	14,044
Foreign currency translation reserve	(95)	(95)
Total equity	124,671	84,348
Non-Current Liabilities		
Borrowings	3,691	4,458
Deferred government grants received	7,516	8,018
Deferred tax liabilities	5,999	4,988
	17,206	17,464
Current Liabilities		
Trade and other payables	2,929	11,780
Borrowings	12,140	14,408
	15,069	26,188
Total liabilities	32,275	43,652
TOTAL EQUITY AND LIABILITIES	156,946	128,000
Net asset per share attributable to ordinary equity holder (sen)	30.77	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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UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 MARCH 2014

	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	-		6,506	-	-	6,506
Exercise of employee share options	1,472	12,414	(3,582)	-	-	10,304
Total comprehensive loss for the year	-	-	-	-	(4,283)	(4,283)
As at 31 March 2014	<u>40,522</u>	<u>61,338</u>	<u>13,145</u>	<u>(95)</u>	<u>9,761</u>	<u>124,671</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 MARCH 2014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 31 MARCH 2014

	Quarter ended 31.03.2014 RM'000	Quarter ended 31.03.2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before tax	(3,272)	(2,968)
Adjustment for:		
Non cash items	15,619	19,758
Operating profit before working capital changes	12,347	16,790
Net changes in current assets	(25,596)	(5,285)
Net changes in current liabilities	(9,280)	(214)
Net cash from operating activities	<u>(22,529)</u>	<u>11,291</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of plant and equipments	306	200
Proceeds from disposal of broodstock	-	-
Purchase of plant and equipment	(4,079)	(16,218)
Additions of biological assets	(2,234)	(8)
Acquisition of subsidiary company of net of cash and cash equivalents	(100)	-
Net cash used in investing activities	<u>(6,107)</u>	<u>(16,026)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	28,000	-
Share issue expense	(204)	-
Payment of hire purchase payables	(238)	(235)
Overdraft interest	(764)	(1,252)
Loan interest	(460)	(419)
Interest income	232	*
Nominal amount to formilize ESOS	-	*
Income tax (paid) / refund	(47)	(10)
Proceed from exercise of employee share options	10,304	3,850
Proceed from borrowing	-	2,000
Repayment of loan	(931)	(1,012)
Proceed from government grants	389	8,367
Net cash used in financing activities	<u>36,281</u>	<u>11,289</u>
Increase in cash and cash equivalents	7,645	6,554
Effect on foreign exchange translation differences	1	(46)
Cash and cash equivalents at beginning of year	<u>(10,814)</u>	<u>(17,322)</u>
Cash and cash equivalents at end of year	<u><u>(3,168)</u></u>	<u><u>(10,814)</u></u>
Cash and cash equivalents comprise:		
Fixed deposits with a licensed bank	-	-
REPO	5,000	-
Cash and bank balances	851	547
Bank overdraft	<u>(9,019)</u>	<u>(11,361)</u>
	<u><u>(3,168)</u></u>	<u><u>(10,814)</u></u>

Note:

*Interest income denotes RM6.52 (31.03.2013).

*Nominal amount to formilize ESOS denotes RM30.00 (31.03.2013).

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 MARCH 2014**

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;	123	232
(ii) Other income including investment income;	719	1,455
(iii) Interest Expense;	(306)	(1,251)
(iv) Depreciation and amortization;	(2,157)	(8,516)
(v) Gain or (loss) on disposal of quoted or unquoted investments or properties;	58	58
(vi) Foreign exchange gain or (loss);	430	415

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 are no changes in 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 31 March 2014.

13. Review of Performance

The Group recorded a revenue and gross profit of RM7.046 million and RM3.756 million respectively for the quarter ended 31 March 2014 ("FYE 2014"), representing a decrease of 7.19% and increase 2.23% respectively as compared to the corresponding period in 2013.

The Group recorded a revenue and loss before taxation of RM23.023 million and RM3.272 million respectively for the financial year ended 31 March 2014 ("FYE 2014"). The revenue of RM23.023 million represents a decrease of 24.83% as compared to RM30.629 million recorded for financial year ended 31 March 2013 ("FYE 2013"). The decrease in revenue is mainly due to the Group's recently adopted strategy to rear part of its Grouper species to above 6 kgs before selling them as they may be able to generate higher revenue for the Group in the future.

The loss before taxation of RM3.272 million for FYE 2014 represents an increase of 10.24% as compared to a loss before taxation of RM2.968 million recorded in FYE 2013. This was mainly due to the reason as stated in the paragraph above. The Group has also incurred RM0.537 million for prospecting and exploration of minerals as well as a non-cash employee benefit cost of RM6.506 million for the FYE 2014, arising from the fair value accounting adopted for shares option granted pursuant to an Employee Shares Option Scheme ("ESOS") implemented by the Company for eligible employees and directors. However, should the non-cash employee benefits cost of RM6.506 million and RM0.537 million for the prospecting and exploration cost incurred for mining for the FYE 2014 be excluded, the Group would record a profit before taxation of RM3.771 million for the FYE 2014.

14. Comments on Material Change in Profit Before Taxation

The Group recorded a revenue of RM7.046 million for the current quarter ended 31 March 2014 ("Q4"), representing a significant increase of 91.94 % as compared to the revenue of RM3.671 million as recorded for the third quarter ended 31 December 2013 ("Q3"). The increase is mainly due to festive season and selling of bigger size of Groupers, which is in line with the adoption of Group's strategy to rear part of its Grouper species to above 6 kgs before selling them as they are able to generate higher revenue for the Group.

The Group recorded a profit before taxation of RM0.371 million representing significant improvement as compared to a loss of RM1.392 million recorded for Q3. This is mainly due to the reason mentioned 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 2015.

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

	3 months ended 31.03.2013 RM'000	12 months ended 31.03.2013 RM'000
Tax expense for the period Malaysian Income Tax	-	-
Deferred Tax	1,011	1,011
	<u>1,011</u>	<u>1,011</u>
Total income tax expense other than deferred tax	1,011	1,011

No taxation has been provided for the current quarter and financial year-to-date other than deferred tax. 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 three 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. However, Plentiful Earnings Sdn Bhd, a wholly owned subsidiary of Plentiful Harvest Sdn Bhd, has also been granted tax incentive on 17 October 2011 and it will commence its exemption from tax on statutory income for ten years when it has recorded its first profit.

18. Corporate Proposals

Utilisation of Private Placement Proceeds

The status of utilisation of the proceeds from the Private Placement as at 31 March 2014 are as follows:

	Proceeds Raised RM'000	Amounts Utilised RM'000	Transfer RM'000	Amounts Unutilised 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	(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	(16,575)	8,028	6,607
Private Placement expenses	300	(204)	(96)	-
	<u>28,000</u>	<u>(21,393)</u>	<u>-</u>	<u>6,607</u>

Note :

Part of the unutilised proceeds amounting to RM5.0 million are placed with a licensed bank in the form of REPO, and the balance of RM1.607 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 31.03.2014 RM'000	As at 31.03.2013 RM'000
Short term borrowings:		
Hire purchase payables	126	164
Bank Loan	2,995	2,883
Bank overdraft	9,019	11,361
	<u>12,140</u>	<u>14,408</u>
Long term borrowing:		
Hire purchase payables	220	79
Bank loan	3,471	4,379
	<u>3,691</u>	<u>4,458</u>

The borrowings are denominated in Ringgit Malaysia.

20. Realised and Unrealised Profits

	As At 31.03.2014 RM '000	As At 31.03.2013 RM '000
Total (accumulated losses) / retained profits of Borneo Aqua Harvest Berhad and its subsidiaries:		
- Realised	(2,784)	3,030
- Unrealised	6,114	5,011
	<u>3,330</u>	<u>8,041</u>
Add / (Less) : Consolidated adjustments	6,431	6,003
Total Group retained profits	<u>9,761</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 31.03.2014	Preceding Year Corresponding Quarter 31.03.2013	Current Year-To-Date 31.03.2014	Preceding Year-To-Date 31.03.2013
Loss for the period (RM'000)	(640)	(11,535)	(4,283)	(4,780)
Weighted average number of ordinary shares in issue ('000)	403,942	352,228	393,359	340,522
Basic Loss per share (sen)	(0.16)	(3.27)	(1.09)	(1.40)
Diluted Loss per share (sen)	(0.12)	(1.34)	(0.13)	(1.39)

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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 May, 2014.

By Order of the Board

Kang Shew Meng
Seow Fei San
Chong Tzu Khen
Company Secretaries

Sandakan
29 May 2014