

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2015

| | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|--|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| | Quarter ended 30.09.2015 RM'000 | Quarter ended 30.09.2014 RM'000 | Year to date 30.09.2015 RM'000 | Year to date 30.09.2014 RM'000 |
| Revenue | 4,139 | 3,711 | 7,435 | 5,914 |
| Cost of Sales | (2,702) | (1,558) | (4,919) | (2,361) |
| Gross Profit | 1,437 | 2,153 | 2,516 | 3,553 |
| Other Income | 3,320 | 251 | 3,992 | 521 |
| Other expenses | - | (542) | - | (555) |
| Distribution Costs | (1,476) | (1,994) | (2,798) | (3,411) |
| Administrative Expenses | (1,180) | (1,512) | (2,180) | (3,284) |
| Profit / (Loss) from Operations | 2,101 | (1,644) | 1,530 | (3,176) |
| Finance Costs | (301) | (292) | (542) | (578) |
| Profit / (Loss) Before Tax | 1,800 | (1,936) | 988 | (3,754) |
| Taxation | - | - | - | - |
| Profit / (Loss) for the period | 1,800 | (1,936) | 988 | (3,754) |
| Other comprehensive gain: | | | | |
| Foreign currency translation | 1 | - | 1 | - |
| Total comprehensive profit / (loss) for the period | 1,801 | (1,936) | 989 | (3,754) |
| Profit / (Loss) for the period attributable to: | | | | |
| Equity holders of the parent | 1,800 | (1,936) | 988 | (3,754) |
| Minority interests | - | - | - | - |
| | 1,800 | (1,936) | 988 | (3,754) |
| Earnings / (Loss) per Share attributable to equity holders of the parent (sen) | | | | |
| - Basic | 0.42 | (0.47) | 0.23 | (0.92) |
| - Diluted | 0.42 | (0.47) | 0.23 | (0.89) |

Note:

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2015 and accompanying explanatory notes to the interim financial statements.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

| | As at 30.09.2015 | As at 31.03.2015 |
|---|---------------------|---------------------|
| | RM'000 | RM'000 |
| Non-Current Assets | | |
| Property, plant and equipment | 49,890 | 53,009 |
| Intangible assets | 32 | 32 |
| Biological assets | 2,610 | 2,964 |
| | 52,532 | 56,005 |
| Current Assets | | |
| Inventories | 802 | 571 |
| Biological assets | 81,851 | 76,147 |
| Trade receivables | 28,910 | 27,881 |
| Other receivables | 3,214 | 737 |
| Tax refundable | 121 | 77 |
| Fixed deposit | 3,000 | - |
| Cash and bank balances | 200 | 408 |
| | 118,098 | 105,821 |
| Total Assets | 170,630 | 161,826 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 42,695 | 41,890 |
| Share premium | 79,667 | 72,878 |
| Employee share options reserve | 12,937 | 13,767 |
| Retained earnings | 8,420 | 7,432 |
| Foreign currency translation reserve | (94) | (95) |
| Total equity | 143,625 | 135,872 |
| Non-Current Liabilities | | |
| Borrowings | 1,991 | 2,561 |
| Deferred government grants received | 6,202 | 6,640 |
| Deferred tax liabilities | 3,709 | 3,709 |
| | 11,902 | 12,910 |
| Current Liabilities | | |
| Trade and other payables | 4,216 | 2,539 |
| Borrowings | 10,887 | 10,505 |
| | 15,103 | 13,044 |
| Total liabilities | 27,005 | 25,954 |
| TOTAL EQUITY AND LIABILITIES | 170,630 | 161,826 |
| Net asset per share attributable to ordinary equity holder (sen) | 33.64 | 32.44 |

Note:

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2015 and accompanying explanatory notes to the interim financial statements.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2015

| | 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 31 March 2014 | 40,522 | 61,338 | 13,145 | (95) | 9,761 | 124,671 |
| Share options granted under ESOS | - | | 3,951 | - | - | 3,951 |
| Exercise of employee share options | 1,368 | 11,540 | (3,329) | - | - | 9,579 |
| Total comprehensive loss for the year | - | - | - | - | (2,329) | (2,329) |
| As at 31 March 2015 | <u>41,890</u> | <u>72,878</u> | <u>13,767</u> | <u>(95)</u> | <u>7,432</u> | <u>135,872</u> |
| As at 1 April 2015 | 41,890 | 72,878 | 13,767 | (95) | 7,432 | 135,872 |
| Share options granted under ESOS | - | | 1,129 | - | - | 1,129 |
| Exercise of employee share options | 805 | 6,789 | (1,959) | - | - | 5,635 |
| Total comprehensive profit for the period | - | - | - | 1 | 988 | 989 |
| As at 30 September 2015 | <u>42,695</u> | <u>79,667</u> | <u>12,937</u> | <u>(94)</u> | <u>8,420</u> | <u>143,625</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 2015 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 2015

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 30 SEPTEMBER 2015

| | Quarter ended 30.09.2015 RM'000 | Quarter ended 30.09.2014 RM'000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit / (Loss) before tax | 988 | (3,754) |
| Adjustment for: | | |
| Non cash items | 2,766 | 7,104 |
| Operating profit before working capital changes | 3,754 | 3,350 |
| Net changes in current assets | (6,604) | (10,830) |
| Net changes in current liabilities | 1,623 | 2,306 |
| Net cash used in operating activities | <u>(1,227)</u> | <u>(5,174)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of broodstock | - | 285 |
| Purchase of plant and equipment | (894) | (1,146) |
| Additions of biological assets | 43 | (229) |
| Net cash used in investing activities | <u>(851)</u> | <u>(1,090)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of hire purchase payables | (30) | (99) |
| Overdraft interest | (296) | (368) |
| Loan interest | (241) | (202) |
| Interest income | 8 | 17 |
| Income tax paid | (44) | (51) |
| Proceed from exercise of employee share options | 5,635 | 2,367 |
| Repayment of loan | (433) | (489) |
| Net cash generated from financing activities | <u>4,599</u> | <u>1,175</u> |
| Increase / (Decrease) in cash and cash equivalents | 2,521 | (5,089) |
| Effect on foreign exchange translation differences | 2 | - |
| Cash and cash equivalents at beginning of period | <u>(7,101)</u> | <u>(3,168)</u> |
| Cash and cash equivalents at end of period | <u><u>(4,578)</u></u> | <u><u>(8,257)</u></u> |
| Cash and cash equivalents comprise: | | |
| Fixed deposits with a licensed bank | 3,000 | - |
| Cash and bank balances | 115 | 943 |
| Bank overdraft | <u>(7,693)</u> | <u>(9,200)</u> |
| | <u><u>(4,578)</u></u> | <u><u>(8,257)</u></u> |

Note:

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2015 and accompanying explanatory notes to the interim financial statements.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2015**

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 2015. 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 2015.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2015, 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 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014) | 1 January 2018 |
| Amendments to FRSs : | |
| - FRS 5 Non-current Assets Held for Sale and Discontinued Operations - Annual Improvements to FRSs 2012-2014 Cycle | 1 January 2016 |
| - FRS 7 Financial Instruments : Disclosures - Annual Improvements to FRSs 2012-2014 Cycle | 1 January 2016 |
| - FRS 10 Consolidated Financial Statements - Investment Entities : Applying the Consolidated Exception | 1 January 2016 |
| - FRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| - FRS 11 Joint Arrangements - Accounting for Acquisitions of Interest in Joint Operations | 1 January 2016 |
| - FRS 12 Disclosure of Interest in Other Entities - Investment Entities : Applying the Consolidation Exception | 1 January 2016 |
| - FRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| - FRS 101 Presentation of Financial Statements - Disclosure Initiative | 1 January 2016 |
| - FRS 116 Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| - FRS 119 Employee Benefits - Annual Improvements to FRSs 2012-2014 Cycle | 1 January 2016 |
| - FRS 127 Separate Financial Statements - Equity Method in Separate Financial Statements | 1 January 2016 |
| - FRS 128 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| - FRS 128 Investment in Associates and Joint Ventures - Investment Entities : Applying the Consolidation Exception | 1 January 2016 |
| - FRS 134 Interim Financial Reporting - Annual Improvements to FRSs 2012-2014 Cycle | 1 January 2016 |
| - FRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |

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 three years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

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 2018. 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 2015 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 2018.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 March 2015 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; | 8 | 8 |
| (ii) Other income including investment income; | 2,556 | 3,228 |
| (iii) Interest Expense; | (301) | (542) |
| (iv) Depreciation and amortization; | (2,161) | (4,325) |
| (v) Gain or (loss) on disposal of quoted or unquoted investments or properties; | - | - |
| (vi) Foreign exchange gain or (loss); | 756 | 756 |

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 the interim financial statements.

11. Changes in Composition of the Group

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

12. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 30 September 2015.

13. Review of Performance

The Group recorded a revenue and gross profit of RM4.139 million and RM1.437 million respectively for the current quarter, representing a increase of 11.53% and a decrease of 33.26% respectively as compared to the corresponding period in 2014.

The Group recorded a profit before taxation of RM1.800 million, mainly due to unrealised foreign exchange gain of RM2.33 million and after taking into consideration the non-cash employee benefit cost of RM0.564 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 vested and are to be exercised over a period of 5 years from 15 January 2013 to 14 January 2018.

The profit before taxation of RM1.800 million for the current quarter representing a significant increase of 193.0% as compared to a loss before taxation of RM1.936 million recorded in the corresponding period in 2014. The increase is mainly due to the unrealised foreign exchange gain stated above and the increase in revenue mentioned in Section 14 below.

14. Comments on Material Change in Profit Before Taxation

Revenue for the second quarter ended 30 September 2015 ("Q2") increase to RM4.139 million as compared to RM3.296 million recognised in the first quarter ended 30 June 2015 ("Q1"). The increase in revenue is due to strong demand in larger grouper fishes, in particular the cross-breed species, which is in line with the Group adopted strategy to rear part of its' cross-breed fishes to larger size, preferably above 6 kgs before selling them as they will be able to generate higher revenue for the Group. The cross-breed species are fast growing species that are expected to have fast and significant growth once they reach a body weight about 2 kgs.

The higher revenue recorded by the Group in Q2 as explained above, had resulted in the Group reporting a gross profit of RM1.437 million as compared to a gross profit of RM1.079 million in Q1 representing an increase of 33.18%.

The Group recorded a net profit of RM1.800 million in Q2 as compared to a net loss of RM0.812 million in Q1 mainly due to the reasons as stated in note 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 2016.

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

Plentiful Earnings Sdn Bhd, a subsidiary company, has been granted tax incentive under Section 127 of the Income Tax Act, 1967 for the exemption of tax on statutory income from fish breeding, fish fry hatchery and fish rearing activities for a period of 10 years commencing 1 April 2013.

18. Corporate Proposals

The Group has on 20 Nov 2015 announced the following corporate proposals : -

- (I) Proposed acquisition of 10,000 ordinary shares of RM1.00 each, representing the entire equity interest of Wullersdorf Resources Sdn Bhd ("Proposed Acquisition") ;
- (II) Proposed diversification of the existing core businesses of Bahvest and its subsidiaries to include the exploration for the minerals, mining and other mining related businesses ("Proposed Diversification") ;
- (III) Proposed increase in the authorised share capital of the Company from RM50,000,000 comprising 500,000,000 Ordinary Shares of RM0.10 each in Bahvest ("Bahvest Share" or "Share") to RM200,000,000 comprising 1,950,000,000 Bahvest Shares and 50,000,000 Irredeemable Convertible Preference Shares of RM0.10 each in Bahvest ("ICPS") ("Proposed increase in Authorised Share Capital") ; and
- (IV) Proposed amendments to the Company's Memorandum And Articles of Association ("Proposed Amendments").

Kindly refer to Company's announcement of even date on Bursa Malaysia website, setting out the details of the abovementioned proposals.

19. Borrowings

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

| | As at 30.09.2015 RM'000 | As at 31.03.2015 RM'000 |
|------------------------|-------------------------------|-------------------------------|
| Short term borrowings: | | |
| Hire purchase payables | 51 | 50 |
| Bank Loan | 3,143 | 3,032 |
| Bank overdraft | 7,693 | 7,423 |
| | <u>10,887</u> | <u>10,505</u> |
| Long term borrowing: | | |
| Hire purchase payables | 145 | 171 |
| Bank loan | 1,846 | 2,390 |
| | <u>1,991</u> | <u>2,561</u> |

The borrowings are denominated in Ringgit Malaysia.

20. Realised and Unrealised Profits

| | As At 30.09.2015 RM '000 | As At 31.03.2015 RM '000 |
|--|--------------------------------|--------------------------------|
| Total retained profit / (accumulated loss) of Borneo Aqua Harvest Berhad and its subsidiaries: | | |
| - Realised | 1,252 | (400) |
| - Unrealised | 926 | 1,514 |
| | <u>2,178</u> | <u>1,114</u> |
| Add / (Less) : Consolidated adjustments | 6,242 | 6,318 |
| Total Group retained profit / (loss) | <u>8,420</u> | <u>7,432</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 Profit / (Loss) for the financial period / year under review by the weighted average number of ordinary shares in issue during the period / year.

| | Current Quarter 30.09.2015 | Preceding Year Corresponding Quarter 30.09.2014 | Current Year-To-Date 30.09.2015 | Preceding Year-To-Date 30.09.2014 |
|--|---|--|--|--|
| Profit / (Loss) for the period (RM'000) | 1,800 | (1,936) | 988 | (3,754) |
| Weighted average number of ordinary shares in issue ('000) | 425,409 | 407,629 | 424,225 | 407,037 |
| Basic earnings / (Loss) per share (sen) | 0.42 | (0.47) | 0.23 | (0.92) |
| Diluted earnings per share (sen) | 0.42 | (0.47) | 0.23 | (0.89) |

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 November, 2015.

By Order of the Board

Kang Shew Meng
Seow Fei San
Chong Tzu Khen
Company Secretaries

Sandakan
20 November, 2015