

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2016

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter ended 30.09.2016 RM'000	Quarter ended 30.09.2015 RM'000	Year to date 30.09.2016 RM'000	Year to date 30.09.2015 RM'000
Revenue	5,955	4,139	17,958	7,435
Cost of Sales	(3,166)	(2,702)	(11,252)	(4,919)
Gross Profit	2,789	1,437	6,706	2,516
Other Income	932	3,320	1,024	3,992
Other expenses	(1)	-	(1)	-
Distribution Costs	(1,757)	(1,476)	(3,848)	(2,798)
Administrative Expenses	(1,612)	(1,180)	(2,887)	(2,180)
Profit from Operations	351	2,101	994	1,530
Finance Costs	(204)	(301)	(412)	(542)
Profit Before Tax	147	1,800	582	988
Taxation	*	-	*	-
Profit for the period	147	1,800	582	988
Other comprehensive loss:				
Foreign currency translation	(1)	1	(1)	1
Total comprehensive profit for the period	146	1,801	581	989
Profit for the period attributable to:				
Equity holders of the parent	147	1,800	582	988
Minority interests	-	-	-	-
	147	1,800	582	988
Earnings per Share attributable to equity holders of the parent (sen)				
- Basic	0.03	0.42	0.13	0.23
- Diluted	0.03	0.42	0.13	0.23

Note:

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2016 and accompanying explanatory notes to the interim financial statements.

* Tax of RM2.16 from Marine Terrace Sdn Bhd

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	As at 30.09.2016	As at 31.03.2016
	RM'000	RM'000
Non-Current Assets		
Property, plant and equipment	42,680	45,955
Intangible assets	32	32
Biological assets	3,787	4,169
	<u>46,499</u>	<u>50,156</u>
Current Assets		
Inventories	930	853
Biological assets	96,006	83,881
Trade receivables	31,133	30,842
Other receivables	2,609	2,580
Tax refundable	104	65
Deposit with a licensed bank	585	585
Cash and bank balances	256	193
	<u>131,623</u>	<u>118,999</u>
Total Assets	<u><u>178,122</u></u>	<u><u>169,155</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	43,958	43,196
Share premium	90,318	83,892
Employee share options reserve	11,814	13,144
Retained earnings	4,672	4,090
Foreign currency translation reserve	(96)	(95)
Total equity	<u>150,666</u>	<u>144,227</u>
Non-Current Liabilities		
Borrowings	821	1,402
Deferred government grants received	5,327	5,765
Deferred tax liabilities	3,011	3,011
	<u>9,159</u>	<u>10,178</u>
Current Liabilities		
Trade and other payables	4,486	4,899
Borrowings	13,811	9,851
	<u>18,297</u>	<u>14,750</u>
Total liabilities	<u>27,456</u>	<u>24,928</u>
TOTAL EQUITY AND LIABILITIES	<u><u>178,122</u></u>	<u><u>169,155</u></u>
Net asset per share attributable to ordinary equity holder (sen)	<u>34.27</u>	<u>33.39</u>

Note:

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2016 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 2016

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2016

	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 2015	41,890	72,878	13,767	(95)	7,432	135,872
Share options granted under ESOS	-	-	2,554	-	-	2,554
Exercise of employee share options	1,308	11,014	(3,177)	-	-	9,143
Total comprehensive loss for the year	-	-	-	-	(3,342)	(3,342)
As at 31 March 2016	<u>43,196</u>	<u>83,892</u>	<u>13,144</u>	<u>(95)</u>	<u>4,090</u>	<u>144,227</u>
As at 1 April 2016	43,196	83,892	13,144	(95)	4,090	144,227
Share options granted under ESOS	-	-	524	-	-	524
Exercise of employee share options	762	6,426	(1,854)	-	-	5,334
Total comprehensive profit for the period	-	-	-	(1)	582	581
As at 30 September 2016	<u>43,958</u>	<u>90,318</u>	<u>11,814</u>	<u>(96)</u>	<u>4,672</u>	<u>150,668</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 2016 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 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 30 SEPTEMBER 2016

	Quarter ended 30.09.2016 RM'000	Quarter ended 30.09.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before tax	582	988
Adjustment for:		
Non cash items	4,013	2,766
Operating profit before working capital changes	4,595	3,754
Net changes in current assets	(11,953)	(6,604)
Net changes in current liabilities	(424)	1,623
Income tax paid	(39)	(44)
Net cash used in operating activities	<u>(7,821)</u>	<u>(1,271)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of plant and equipments	1	-
Purchase of plant and equipment	(370)	(894)
Additions of biological assets	(15)	43
Acquisition of subsidiary company of net of cash and cash equivalents	-	-
Acquisition of subsidiary company of net of cash and cash equivalents	-	-
Net cash used in investing activities	<u>(384)</u>	<u>(851)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of hire purchase payables	(26)	(30)
Interest paid	(412)	(537)
Interest income	1	8
Proceed from exercise of employee share options	5,334	5,635
Proceed from borrowing	3,989	-
Repayment of loan	(540)	(433)
Net cash generated from financing activities	<u>8,346</u>	<u>4,643</u>
Increase / (Decrease) in cash and cash equivalents	141	2,521
Effect on foreign exchange translation differences	(1)	2
Cash and cash equivalents at beginning of period	<u>(6,419)</u>	<u>(7,101)</u>
Cash and cash equivalents at end of period	<u>(6,279)</u>	<u>(4,578)</u>
Cash and cash equivalents comprise:		
Fixed deposits with a licensed bank	-	3,000
Cash and bank balances	256	115
Bank overdraft	<u>(6,535)</u>	<u>(7,693)</u>
	<u>(6,279)</u>	<u>(4,578)</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 2016 and accompanying explanatory notes to the interim financial statements.

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2016

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 2016. 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 2016.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2016, 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
Annual Improvements to FRSs 2012-2014 Cycle	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 - Investment Entities : Applying the Consolidation Exemption	1 January 2016
Amendments to FRS 11 - Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 101 - Disclosure Initiative	1 January 2016
Amendments to FRS 116 and FRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 127 - Equity Method in Separate Financial Statements	1 January 2016
FRS 14 Regulatory Deferral Accounts	1 January 2016
Deferred :	
Amendments to FRS 10 and FRS 128 - FRS 10 Consolidated Financial Statements : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	

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 are allowed to defer adoption of the new MFRS Framework until the MFRS framework becomes mandatory for the Transitioning Entities for annual periods beginning on or after 1 January 2018.

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 2019. 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 2016 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 2019.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 March 2016 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;	-	1
(ii) Other income including investment income;	934	1,018
(iii) Interest Expense;	(204)	(412)
(iv) Depreciation and amortization;	(2,017)	(4,074)
(v) Gain or (loss) on disposal of quoted or unquoted investments or properties;	-	-
(vi) Foreign exchange (loss) or gain;	(2)	6

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 June 2016.

13. Review of Performance

The Group recorded a revenue and gross profit of RM5.955 million and RM2.789 million respectively for the current quarter, representing a significant increase of 43.88% and 94.08% respectively as compared to the corresponding quarter in 2015.

The increase in revenue compared to corresponding quarter in 2015 as mentioned above is mainly due to the increase in revenue from sale of 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.

For current quarter, the Group recorded a profit before taxation of RM0.147 million as compared to a profit before taxation of RM1.800 million recorded in the corresponding period in 2015, a decrease of more than 100%. The said significant decrease was mainly due to foreign exchange gain of approximately RM2.4 million recognised in the corresponding quarter in 2015 and expenses incurred for the corporate proposals mentioned in Note 18 below amounting RM0.737 million which was recognised in current quarter.

In addition to the expenses for the corporate proposals mentioned above, the Group also charged out the non-cash employee benefit cost of RM0.262 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 five years commencing 15 January 2013 to 14 January 2018. Should the said non-cash employee benefit cost of RM0.262 million and corporate proposals expenses of RM0.737 million be excluded from current quarter expenses, the Group would have recorded an operational profit of RM1.350 million and a profit before tax of RM1.146 million for current quarter.

14. Comments on Material Change in Profit Before Taxation

Revenue for the second quarter ended 30 September 2016 ("Q 2") decreased to RM5.955 million as compared to RM12.003 million recorded in the first quarter ended 31 June 2016 ("Q 1") as current quarter is traditionally a low sales period due to the lack of major festivals and/or holiday during or around the quarter and also partly due to drop in demand pursuant to the slow down in the economy of Hong Kong and China.

The lower revenue recorded by the Group in Q2 as explained above, had resulted in the Group reporting a gross profit of RM2.789 million as compared to a gross profit of RM3.917 million in Q1 representing a decrease of 28.80%.

The Group recorded a net profit of RM0.147 million in Q2 as compared to a net profit of RM0.435 million in Q1 mainly due to the drop in revenue as mentioned above and also the reasons as mentioned 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 2017.

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

Pleasant 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 Company has on 20 November 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 ;
- (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 ;
- (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") ; and
- (IV) Proposed amendments to the Company's Memorandum And Articles of Association.

The Company has also on 19 May 2016 and 18 November 2016 respectively announced the extension of the conditional period to complete the abovementioned proposals. Barring any unforeseen circumstances, the abovementioned proposals are expected to be completed before 18 May 2017.

Kindly refer to Company's announcement of even date on Bursa Malaysia's 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 30.09.2016 RM'000	As at 31.03.2016 RM'000
Short term borrowings:		
Hire purchase payables	59	52
Bank Loan	7,217	3,187
Bank overdraft	6,535	6,612
	<u>13,811</u>	<u>9,851</u>
Long term borrowing:		
Hire purchase payables	119	119
Bank loan	702	1,283
	<u>821</u>	<u>1,402</u>

The borrowings are denominated in Ringgit Malaysia.

20. Realised and Unrealised Profits

	As At 30.09.2016 RM '000	As At 31.03.2016 RM '000
Total retained profit of Borneo Aqua Harvest Berhad and its subsidiaries:		
- Realised	(31,641)	(5,480)
- Unrealised	2,453	3,457
	<u>(29,188)</u>	<u>(2,023)</u>
Add : Consolidated adjustments	33,860	6,113
Total Group retained profit	<u>4,672</u>	<u>4,090</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 30.09.2016	Preceding Year Corresponding Quarter 30.09.2015	Current Year-To-Date 30.09.2016	Preceding Year-To-Date 30.09.2015
Profit for the period (RM'000)	147	1,800	582	988
Weighted average number of ordinary shares in issue ('000)	436,998	425,409	435,327	424,225
Basic earnings per share (sen)	0.03	0.42	0.13	0.23
Diluted earnings per share (sen)	0.03	0.42	0.13	0.23

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

By Order of the Board

Kang Shew Meng
Seow Fei San
Chong Tzu Khen
Company Secretaries

Sandakan
25 November, 2016