

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2016

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter ended 31.12.2016 RM'000	Quarter ended 31.12.2015 RM'000	Year to date 31.12.2016 RM'000	Year to date 31.12.2015 RM'000
Revenue	5,833	4,944	23,791	12,379
Cost of Sales	(5,323)	(2,837)	(16,575)	(7,756)
Gross Profit	510	2,107	7,216	4,623
Other Income	986	(1,249)	2,010	2,743
Other expenses	(3)	-	(4)	-
Distribution Costs	(1,699)	(1,528)	(5,547)	(4,326)
Administrative Expenses	(1,163)	(1,044)	(4,050)	(3,224)
Loss from Operations	(1,369)	(1,714)	(375)	(184)
Finance Costs	(194)	(237)	(606)	(779)
Loss Before Tax	(1,563)	(1,951)	(981)	(963)
Taxation	*	-	*	-
Loss for the period	(1,563)	(1,951)	(981)	(963)
Other comprehensive loss:				
Foreign currency translation	-	(1)	-	-
Total comprehensive loss for the period	(1,563)	(1,952)	(981)	(963)
Loss for the period attributable to:				
Equity holders of the parent	(1,563)	(1,951)	(981)	(963)
Minority interests	-	-	-	-
	(1,563)	(1,951)	(981)	(963)
Loss per Share attributable to equity holders of the parent (sen)				
- Basic	(0.35)	(0.46)	(0.22)	(0.23)
- Diluted	(0.35)	(0.45)	(0.21)	(0.21)

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

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UNAUDITED INTERIM FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	As at 31.12.2016	As at 31.03.2016
	RM'000	RM'000
Non-Current Assets		
Property, plant and equipment	41,025	45,955
Intangible assets	32	32
Biological assets	3,586	4,169
	<u>44,643</u>	<u>50,156</u>
Current Assets		
Inventories	892	853
Biological assets	96,386	83,881
Trade receivables	33,083	30,842
Other receivables	1,519	2,580
Tax refundable	124	65
Deposit with a licensed bank	785	585
Cash and bank balances	272	193
	<u>133,061</u>	<u>118,999</u>
Total Assets	<u><u>177,704</u></u>	<u><u>169,155</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	44,137	43,196
Share premium	91,823	83,892
Employee share options reserve	11,641	13,144
Retained earnings	3,109	4,090
Foreign currency translation reserve	(95)	(95)
Total equity	<u>150,615</u>	<u>144,227</u>
Non-Current Liabilities		
Borrowings	508	1,402
Deferred government grants received	5,108	5,765
Deferred tax liabilities	3,011	3,011
	<u>8,627</u>	<u>10,178</u>
Current Liabilities		
Trade and other payables	4,883	4,899
Borrowings	13,579	9,851
	<u>18,462</u>	<u>14,750</u>
Total liabilities	<u>27,089</u>	<u>24,928</u>
TOTAL EQUITY AND LIABILITIES	<u><u>177,704</u></u>	<u><u>169,155</u></u>
Net asset per share attributable to ordinary equity holder (sen)	<u>34.12</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.

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UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 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	1,306	11,014	(3,177)	-	-	9,143
Total comprehensive loss for the year	-	-	-	-	(3,342)	(3,342)
As at 31 March 2016	43,196	83,892	13,144	(95)	4,090	144,227
As at 1 April 2016	43,196	83,892	13,144	(95)	4,090	144,227
Share options granted under ESOS	-	-	785	-	-	785
Exercise of employee share options	941	7,931	(2,288)	-	-	6,584
Total comprehensive loss for the period	-	-	-	-	(981)	(981)
As at 31 December 2016	44,137	91,823	11,641	(95)	3,109	150,615

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)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 31 DECEMBER 2016

	Quarter ended 31.12.2016 RM'000	Quarter ended 31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(981)	(963)
Adjustment for:		
Non cash items	7,762	6,986
Operating profit before working capital changes	6,781	6,023
Net changes in current assets	(14,355)	(10,458)
Net changes in current liabilities	(338)	1,549
Income tax paid	(58)	(67)
Net cash used in operating activities	<u>(7,970)</u>	<u>(2,953)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of plant and equipments	2	-
Purchase of plant and equipment	(516)	(929)
Additions of biological assets	(15)	(608)
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>(529)</u>	<u>(1,537)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of hire purchase payables	(41)	(44)
Interest paid	(607)	(772)
Interest income	2	24
Proceed from exercise of employee share options	6,584	7,073
Proceed from borrowing	3,989	-
Repayment of loan	(819)	(693)
Fixed deposits pledged with a licensed bank	(200)	-
Net cash generated from financing activities	<u>8,908</u>	<u>5,588</u>
Increase / (Decrease) in cash and cash equivalents	409	1,098
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>(6,011)</u>	<u>(6,001)</u>
Cash and cash equivalents comprise:		
Fixed deposits with a licensed bank	-	1,000
Cash and bank balances	272	251
Bank overdraft	<u>(6,283)</u>	<u>(7,252)</u>
	<u>(6,011)</u>	<u>(6,001)</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 31 DECEMBER 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 and 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	2
(ii) Other income including investment income;	(1,286)	(268)
(iii) Interest Expense;	(194)	(606)
(iv) Depreciation and amortization;	(2,002)	(6,076)
(v) Gain or (loss) on disposal of quoted or unquoted investments or properties;	-	-
(vi) Foreign exchange (loss) or gain;	2,272	2,278

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

- (a) EGM approved the acquisition of Wullersdorf Resources Sdn Bhd (Kindly refer to Note 18);
- (b) Termination of JV with City Harvest Aqauculture Sdn Bhd; and
- (c) Proposed Private Placement exercise (Kindly refer to Note 18).

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 2016.

13. Review of Performance

The Group recorded a revenue and gross profit of RM5.833 million and RM0.510 million respectively for the current quarter, representing an increase of 17.98% and a decrease of 75.79% 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 cultured fishes and Barramundi fish fry, whereas gross profit margin is lower mainly due to the increase in foreign currency for the purchasing of imported medicine and feeds for the production of fry and adult fishes and the higher fatality rate of the cultured fishes in previous financial year which led to an increase in the associated cost in the current quarter as at 31 December 2016 ("Q3") when the same batches of fishes were sold as well as the lower sales price of frozen fish products sold locally.

For current quarter, the Group recorded a loss before taxation of RM1.563 million as compared to a loss before taxation of RM1.951 million recorded in the corresponding period in 2015. The decrease in loss before taxation was mainly due to expenses incurred for the corporate proposals mentioned in Note 18 below amounting RM0.421 million which was recognised in the 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.

14. Comments on Material Change in Profit Before Taxation

Revenue for the third quarter ended 31 December 2016 ("Q 3") decrease to RM5.833 million as compared to RM5.955 million recorded in the second quarter ended 30 September 2016 ("Q 2"), representing a slight decrease of 2.05% which was mainly due to the decrease in sale of fish fry and frozen fish products sold locally.

The significant drop in gross profit in current quarter to RM0.510 million from RM2.789 million recorded in Q3 was mainly due to the drop in gross margin as a result of weak Malaysian Ringgit for purchasing of imported medicine and feeds for the production of fry and adult fishes, and also due to higher fatality rate of the cultured fishes in the previous financial year.

The Group recorded a net loss of RM1.563 million in Q3 as compared to a net profit of RM0.147 million in Q2 mainly due to the reasons as mentioned

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

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

(a) 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 ("Proposed Amendments").

The Company had on 19 January 2017 announced that the above mentioned corporate proposals were completed on even date. The Proposed Amendments and the proposed issuance of ICPS mentioned above were aborted.

(b) The Company had on 7 February 2017 announced that the Company proposes to undertake a private placement of up to 59,212,766 new ordinary shares in Bahvest, representing up to 10% of the total number of issued shares of Bahvest, to investors to be identified later and at an issue price to be determined by the Board which will be announced later ("Proposed Private Placement"). Application for the Proposed Private Placement had been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") for approval on 8 February 2017. As of the date of this announcement, the company is still awaiting the approval of Bursa Securities for the Proposed Private Placement.

19. Borrowings

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

	As at 31.12.2016 RM'000	As at 31.03.2016 RM'000
Short term borrowings:		
Hire purchase payables	60	52
Bank Loan	7,236	3,187
Bank overdraft	6,283	6,612
	<u>13,579</u>	<u>9,851</u>
Long term borrowing:		
Hire purchase payables	104	119
Bank loan	404	1,283
	<u>508</u>	<u>1,402</u>

The borrowings are denominated in Ringgit Malaysia.

20. Realised and Unrealised Profits

	As At 31.12.2016 RM '000	As At 31.03.2016 RM '000
Total retained profit of Borneo Aqua Harvest Berhad and its subsidiaries:		
- Realised	(34,718)	(5,480)
- Unrealised	3,958	3,457
	<u>(30,760)</u>	<u>(2,023)</u>
Add : Consolidated adjustments	33,869	6,113
Total Group retained profit	<u>3,109</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 31.12.2016	Preceding Year Corresponding Quarter 31.12.2015	Current Year-To-Date 31.12.2016	Preceding Year-To-Date 31.12.2015
Loss for the period (RM'000)	(1,563)	(1,951)	(981)	(963)
Weighted average number of ordinary shares in issue ('000)	440,673	425,409	437,115	424,225
Basic loss per share (sen)	(0.35)	(0.46)	(0.22)	(0.23)
Diluted loss per share (sen)	(0.35)	(0.45)	(0.21)	(0.21)

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
24 February, 2016