

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter ended 31.12.2017 RM'000	Quarter ended 31.12.2016 RM'000	Year to date 31.12.2017 RM'000	Year to date 31.12.2016 RM'000
Revenue	4,030	5,833	21,464	23,791
Cost of sales	(3,989)	(5,323)	(16,991)	(16,575)
Gross profit	41	510	4,473	7,216
Other income	549	986	1,466	2,010
Other expenses	(949)	(3)	(2,199)	(4)
Distribution costs	(1,493)	(1,699)	(5,701)	(5,547)
Administrative expenses	(1,812)	(1,163)	(5,558)	(4,050)
Loss from operations	(3,664)	(1,369)	(7,519)	(375)
Finance costs	(247)	(194)	(718)	(607)
Loss before tax	(3,911)	(1,563)	(8,237)	(982)
Taxation	-	-	-	-
Loss for the period	(3,911)	(1,563)	(8,237)	(982)
Other comprehensive loss :				
Foreign currency translation	-	-	-	-
Total comprehensive loss for the period	(3,911)	(1,563)	(8,237)	(982)
Loss for the period attributable to:				
Equity holders of the parent	(3,911)	(1,563)	(8,237)	(982)
Minority interests	-	-	-	-
	(3,911)	(1,563)	(8,237)	(982)
Loss per share attributable to equity holders of the parent (sen)				
- Basic	(0.65)	(0.35)	(1.37)	(0.22)
- Diluted	(0.66)	(0.35)	(1.37)	(0.21)

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.12.2017 RM'000	Audited As at 31.03.2017 RM'000
Non-Current Assets		
Property, plant and equipment	55,423	39,390
Intangible assets	96,134	96,134
Biological assets	1,550	1,864
	153,107	137,388
Current Assets		
Inventories	1,189	932
Biological assets	99,082	96,417
Trade receivables	40,014	38,177
Other receivables	10,284	829
Tax refundable	121	148
Deposit with a licensed bank	1,187	985
Cash and bank balances	1,793	35,988
	153,670	173,476
Total Assets	306,777	310,864
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	96,665	94,301
Share premium	179,888	179,888
Employee share options reserve	10,815	10,815
(Accumulated Losses) / Retained earnings	(7,955)	282
Foreign currency translation reserve	(96)	(97)
Total equity	279,317	285,189
Non-Current Liabilities		
Borrowings	3,127	192
Deferred government grants received	4,232	4,889
Deferred tax liabilities	2,038	2,038
	9,397	7,119
Current Liabilities		
Trade and other payables	7,260	5,876
Borrowings	10,803	12,680
	18,063	18,556
Total liabilities	27,460	25,675
TOTAL EQUITY AND LIABILITIES	306,777	310,864
Net asset per share attributable to ordinary equity holder (sen)	28.90	30.24

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2016	43,196	83,892	13,144	(95)	4,090	144,227
Issue of shares	46,303	85,787	-	-	-	132,090
Transaction cost		(253)				(253)
Share options granted under ESOS	-		689	-	-	689
Exercise of employee share options	4,802	10,462	(3,018)	-	-	12,246
Total comprehensive loss for the year	-	-	-	(2)	(3,808)	(3,810)
As at 31 March 2017	94,301	179,888	10,815	(97)	282	285,189
As at 1 April 2017	94,301	179,888	10,815	(97)	282	285,189
Exercise of employee share options	2,364	-	-	-	-	2,364
Total comprehensive loss for the period	-	-	-	1	(8,237)	(8,236)
As at 31 December 2017	96,665	179,888	10,815	(96)	(7,955)	279,317

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Quarter ended 31.12.2017 RM'000	Quarter ended 31.12.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(8,237)	(981)
Adjustment for:		
Non cash items	8,184	7,762
Operating profit before working capital changes	(53)	6,781
Net changes in current assets	(15,384)	(14,355)
Net changes in current liabilities	1,388	(338)
Income tax paid	(56)	(58)
Income tax refunded	83	-
Net cash used in operating activities	<u>(14,022)</u>	<u>(7,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of plant and equipments	-	2
Purchase of plant and equipment	(18,143)	(516)
Additions of biological assets	-	(15)
Net cash used in investing activities	<u>(18,143)</u>	<u>(529)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of hire purchase payables	(545)	(41)
Interest paid	(718)	(607)
Interest income	2	2
Proceed from exercise of employee share options	2,364	6,584
Proceed from borrowing	-	3,989
Repayment of loan	(874)	(819)
Fixed deposits pledged with a licensed bank	(202)	(200)
Net cash generated from financing activities	<u>27</u>	<u>8,908</u>
(Decrease) / Increase in cash and cash equivalents	(32,138)	409
Effect on foreign exchange translation differences	-	(1)
Cash and cash equivalents at beginning of period	26,151	(6,419)
Cash and cash equivalents at end of period	<u>(5,987)</u>	<u>(6,011)</u>
Cash and cash equivalents comprise:		
Cash and bank balances	1,793	272
Bank overdraft	(7,780)	(6,283)
	<u>(5,987)</u>	<u>(6,011)</u>

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS

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 2017. 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 Borneo Aqua Harvest Berhad ("Company" or "Borneo Aqua") and its subsidiaries ("Group") since the year ended 31 March 2017.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2017, 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
Annual Improvements to FRSs 2012-2014 Cycle	1 January 2017
Amendments to FRS 112 - Recognition of Deferred Tax Assets for Unrealized Losses	1 January 2017
Amendments to FRS 107 - Disclosure Initiative	1 January 2017
FRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 2 - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 140 - Transfer of Investment Property	1 January 2018
FRS 116 Leases	1 January 2019

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 2017 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.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 March 2017 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

Save for the shares issued pursuant to the exercise of the Employees Share Options Scheme, 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

	Cumulative period Ended 01.04.2017 - 31.12.2017		Cumulative period Ended 01.04.2016 - 31.12.2016	
	Revenue (RM'000)	Operating Loss Before tax (RM'000)	Revenue (RM'000)	Operating Loss Before tax (RM'000)
Aquaculture Operations	21,464	(4,827)	23,791	(979)
Mining Operations	-	(3,119)	-	-
Quarry Operations	347	(291)	-	(3)

9. Subsequent Events

There were no material events subsequent to the end of current quarter that has not been reflected in the interim financial statements.

10. Changes in Composition of the Group

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

11. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 31 December 2017.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

12. Loss Before Taxation

12.1 Financial review for current quarter and financial year to date

	Individual Period		Changes (%)	Cumulative Period		Changes (%)
	Current year Quarter (RM'000)	Preceding Year Corresponding Quarter (RM'000)		Current Year to date (RM'000)	Preceding Year Corresponding period (RM'000)	
	31.12.2017	31.12.2016		31.12.2017	31.12.2016	
Revenue	4,030	5,833	-30.9%	21,464	23,791	-9.78%
Gross Profit	41	510	-92.0%	4,473	7,216	-38.0%
Loss Before Interest and Tax	(3,664)	(1,369)	167.4%	(7,519)	(375)	1905.1%
Loss Before Tax	(3,911)	(1,563)	150.2%	(8,237)	(982)	738.8%
Loss after Tax	(3,911)	(1,563)	150.2%	(8,237)	(982)	738.8%
Loss Attributable to Ordinary Equity Holder of the parent	(3,911)	(1,563)	150.2%	(8,237)	(982)	738.8%

12.2 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter (RM'000)	Immediate Preceding Quarter (RM'000)	Changes (%)
	31.12.2017	30.09.2017	
Revenue	4,030	5,653	-28.71%
Gross Profit	41	819	-94.99%
Loss Before Interest and Tax	(3,664)	(3,010)	21.73%
Loss Before Tax	(3,911)	(3,250)	20.34%
Loss after Tax	(3,911)	(3,250)	20.34%
Loss Attributable to Ordinary Equity Holder of the parent	(3,911)	(3,250)	20.34%

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(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

13. Review of Performance

The Group recorded a revenue and gross profit of RM4.030 million and RM41,105 respectively for the current quarter from its Aquaculture operations, representing a substantial decrease of 30.91% and 91.96% respectively as compared to the corresponding period in 2016.

The Group had in the current period also incurred pre-operational cost of RM1.541 million for its Mining operations comprising pre-operating cost of RM0.949 million and RM0.592 million for administration and finance cost which was charged out as administrative expenses. The Mining operations are currently at mid completion stages which include, amongst others, the construction of relevant infrastructure, laboratory, labor quarter, canteen, office, trailing dam and construction and installation of the mining processing plant to process high value minerals such as gold, silver and copper etc. The group had also incurred operation loss of RM 0.291 million from its quarry operation, which was mainly due to sales of quarry waste with lower price.

The substantial decrease of 30.91% in revenue as compared to the corresponding quarter in 2016 as mentioned above was due to decrease in sales of grouper fish in Hong Kong and China resulting from the abnormal low temperature in Hong Kong and southern China during the year-end. The temperature in Hong Kong and southern China dropped to below 19°C during day time and in certain times dropped below 10°C. This has affected the sales or shipment of fishes to Hong Kong and southern China as those fishes may not be able to survive such cold weather when they arrive in Hong Kong and southern China.

The Group recorded a loss before taxation of RM3.911 million, mainly due to high fatality of grouper fish fry at the nursery centre and decrease in revenue as well as the pre-operational expenses incurred in current quarter ended 31 December 2017 ("Q3") of RM1.541 million for its Mining operations as mentioned above.

Revenue for Q3 decreased to RM4.030 million as compared to RM5.653 million recorded in the second quarter ended 30 September 2017 ("Q2"), representing a substantial decrease of 28.71%. The decrease was mainly due to the decrease in sales of Grouper fish which was due to the drastic drop in temperature as mentioned above.

The decrease in revenue recorded by the Group in Q3 and the high fatality of the grouper fish fry at the nursery centre and the drop-in temperature as explained above, had resulted in the Group reporting a gross profit of RM41,105 as compared to a gross profit of RM0.819 million in the immediate preceding quarter ended as at 30 September 2017, representing a substantial decrease of 94.99%.

The net loss of RM3.911 million in Q3 as compared to a net loss of RM3.250 million in the immediate preceding quarter ended as at 30 September 2017 was mainly due to the reasons mentioned above.

14. Loss before taxation

The following items have been included in arriving at loss before taxation: -

	Current Quarter (RM'000)	Current year to date (RM'000)
Interest Income	1	2
Other income including investment income	527	1,423
Interest expense	(247)	(718)
Depreciation and amortization	(2,205)	(6,325)
Foreign exchange gain	21	41

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

15. Comments on Material Change in other income and expenses

	Individual Period		Changes (%)	Cumulative Period		Changes (%)
	Current year Quarter (RM'000)	Preceding Year Corresponding Quarter (RM'000)		Current Year to date (RM'000)	Preceding Year Corresponding period (RM'000)	
	31.12.2017	31.12.2016		31.12.2017	31.12.2016	
Other Income	549	986	-44.3%	1,466	2,010	-27.1%
Other Expenses	949	3	31,533%	2,199	4	54,875%
Distribution Cost	1,493	1,699	-12.1%	5,701	5,547	2.8%
Admin Expenses	1,812	1,163	55.8%	5,558	4,050	37.2%
Finance Cost	247	194	27.3%	718	607	18.3%

During the quarter under review, the increase in other expenses from RM3,000 to RM949,000 was incurred for the pre-operational cost for the preparation and setting up of the mining and processing plants for the Mining operations to be carried by Wullersdorf Resources Sdn Bhd, a wholly-owned subsidiary of Bahvest.

The increase in finance cost was mainly due to hire purchase interest of RM67,000 incurred during the current quarter pursuant to vehicle and heavy machineries purchased for the Mining operations.

16. 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.

17. Variance on Profit Forecast

No profit forecast was announced or published by the Group, hence, no comparison is made between actual and forecast results.

18. Material Impairment of Assets

There is no impairment to be recognized during the quarter under review.

19. Trade Receivables

	Current (RM'000)	1 month (RM'000)	2 months (RM'000)	> 3 months (RM'000)	Total (RM'000)
Trade Receivable	337	3,564	90	37,498	41,489
Allowance for Impairment					(1,475)
Total					40,014

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are ranging from 30 to 270 days. They are recognized at their original invoice amounts which represent their fair values on initial recognition.

During the Quarter under review, the Group has collected the total sum of RM2.224 million of trade receivables from its Hong Kong customers as well as local customers.

The allowance for impairment are individually determined to be impaired at the reporting date relate to receivables that are in significantly financial difficulties and have defaulted on payments.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

20. Other Receivables

Other Receivables consists of the following: -

	Other Receivable (RM'000)	Deposit (RM'000)	Prepayment (RM'000)	Total (RM'000)
TOTAL	4,350	1,038	4,896	10,284

Included in other receivables are cash advances of RM2.562 million to contractors for construction of infrastructure at Bukit Mantri, Tawau, Sabah, for the Mining operations. Deposit included deposit paid for the acquisition of heavy machineries and diesel of RM0.6 million and RM0.1 million respectively. Prepayment mainly consist of partial payment for purchase of equipment of processing plant and advance installments for Hire Purchase facilities amounting to RM4.532 million and RM0.201 million respectively.

21. Loan and Borrowings

The Group has no any unsecured loan and borrowing, all the secured loan and borrowing are as follows:

	As at 31.12.2017		
	Long term (RM'000)	Short term (RM'000)	Total Borrowings (RM'000)
Bank overdraft	-	7,780	7,780
Bank loan	-	2,012	2,012
Hire purchase	3,127	1,011	4,138
Total	3,127	10,803	13,930
	As at 31.12.2016		
	Long term (RM'000)	Short term (RM'000)	Total Borrowings (RM'000)
Bank overdraft	-	6,283	6,283
Bank loan	404	7,236	7,640
Hire purchase	104	60	164
Total	508	13,579	14,087

As compared to preceding year corresponding period up to 31 December 2017, there is a net decrease in borrowings of RM0.157 million with total repayment of bank loan amounting to RM5.628 million.

However, there are significantly increase in hire purchase of RM3.974 million for the acquisition of heavy machineries and equipment under hire purchase facility for Wullersdorf Resources Sdn Bhd, to carrying out its mining operation at Bukit Mantri, Tawau, Sabah

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

22. Company's Prospects

As at FYE 2018, Borneo Aqua will continue to face economic challenges and uncertainties for its Aquaculture operations both domestically as well as globally such as fluctuation of the local currency against the US Dollar, HK Dollar and China RMB; increasing production cost and any other unforeseen circumstances. Nevertheless, the Group places great emphasis on the improvement of its operational efficiency, while at the same time focusing on the Group's long-term growth plan of building a sustainable aquaculture business.

To broaden its earnings base, Borneo Aqua has also diversified its core business into gold mining operations. Through the diversification into gold mining business, the Group expects this new segment to contribute positively to the future earnings as well as its long-term objective of achieving sustainable growth and value enhancement to the shareholders of Group.

Barring any unforeseen circumstances, the Board of Directors anticipates that the Group may be able to achieve satisfactory operating results for the financial year ending 31 March 2018. The Mining operations are expected to commence production in the second quarter of the calendar year 2018.

23. Corporate Proposals

Save as disclosed below, there are no other corporate proposals announced or pending completion.

23.1 Private Placement

The status of utilisation of proceeds as at 31 December 2017 is as follows:

	Time Frame for Utilization (months)	Proceeds Raised (RM'000)	Amount Utilised (RM'000)	Amount Unutilised (RM'000)
Purchase of machineries and movable equipment	Within 12 months	6,136	4,478	1,658
Construction of new building	Within 12 months	3,750	1,584	2,166
Construction of Processing Plant	Within 18 months	9,380	8,592	788
Construction of road and other related infrastructure	Within 12 months	6,000	6,000	-
Working Capital	Within 24 months	9,874	9,874	-
Estimated Expenses *	Within 12 months	950	950	-
Total		36,090	31,478	4,612

Note * : The balance of Estimated expenses of RM0.251 Million was transferred and fully utilised under working capital.

24. Material Litigation

As at the date of this report, there are no pending material litigations.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

25. Loss Per Share

Basic loss per share is calculated by dividing the loss for the financial period / year under review by the weighted average number of ordinary shares in issue during the period / year.

	Individual Period		Cumulative Period	
	Current year Quarter	Preceding Year Corresponding Quarter	Current Year to date	Preceding Year Corresponding period
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Loss for the period (RM'000)	(3,911)	(1,563)	(8,237)	(982)
Weighted average number of ordinary shares in issue ('000)	600,308	440,673	599,912	437,115
Basic loss per share (sen)	(0.65)	(0.35)	(1.37)	(0.22)
Diluted loss per share (sen)	(0.66)	(0.35)	(1.37)	(0.21)

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