

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter ended 30.06.2018 RM'000	Quarter ended 30.06.2017 (Restated) RM'000	Year to date 30.06.2018 RM'000	Year to date 30.06.2017 (Restated) RM'000
Revenue	3,222	11,781	3,222	11,781
Cost of sales	532	(19,730)	532	(19,730)
Gross profit / (loss)	3,754	(7,949)	3,754	(7,949)
Other income	1,566	243	1,566	243
Other expenses	(1,701)	(366)	(1,701)	(366)
Distribution costs	(1,444)	(2,245)	(1,444)	(2,245)
Administrative expenses	(1,675)	(2,090)	(1,675)	(2,090)
Profit / (loss) from operations	500	(12,407)	500	(12,407)
Finance costs	(473)	(231)	(473)	(231)
Profit / (loss) before tax	27	(12,638)	27	(12,638)
Taxation	-	-	-	-
Profit / (loss) for the period	27	(12,638)	27	(12,638)
Other comprehensive loss :				
Foreign currency translation	-	(1)	-	(1)
Total comprehensive profit / (loss) for the period	27	(12,639)	27	(12,639)
Profit / (loss) for the period attributable to:				
Equity holders of the parent	27	(12,638)	27	(12,638)
Minority interests	-	-	-	-
	27	(12,638)	27	(12,638)
Profit / (loss) per share attributable to equity holders of the parent (sen)				
- Basic	0.004	(2.108)	0.004	(2.108)
- Diluted	0.004	(2.094)	0.004	(2.094)

Note: 30 June 2017 financial results were restated pursuant to the adoption of MFRS 141 in financial year 31 March 2018.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	As at 31.06.2018 RM'000	As at 31.03.2018 (Audited) RM'000
Non-Current Assets		
Property, plant and equipment	65,591	62,196
Intangible assets	96,134	96,134
Biological assets	956	1,054
	162,681	159,384
Current Assets		
Non-current assets held for sale	-	1,506
Biological assets	163,837	155,782
Inventories	2,404	1,359
Trade and other receivables	33,570	37,236
Tax refundable	136	127
Deposit with a licensed bank	1,387	1,187
Cash and bank balances	3,131	4,718
	204,465	201,915
Total Assets	367,146	361,299
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital and premium	281,401	278,873
Employee share options reserve	10,815	10,815
Retained earnings	10,985	10,958
Total equity	303,201	300,646
Non-Current Liabilities		
Borrowings	7,410	7,660
Deferred government grants received	3,794	4,013
Deferred tax liabilities	25,701	25,701
	36,905	37,374
Current Liabilities		
Trade and other payables	12,678	7,696
Borrowings	14,362	15,583
	27,040	23,279
Total liabilities	63,945	60,653
TOTAL EQUITY AND LIABILITIES	367,146	361,299
Net asset per share attributable to ordinary equity holder (sen)	49.93	50.06

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

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 2017 (as restated)	94,301	179,888	10,815	(97)	(7,584)	277,323
Exercise of employee share options	4,684	-	-	-	-	4,684
Translation reserves transferred to equity				97		97
Total comprehensive profit for the year	-	-	-	-	18,542	18,542
As at 31 March 2018	98,985	179,888	10,815	-	10,958	300,646
As at 1 April 2018	98,985	179,888	10,815	-	10,958	300,646
Exercise of employee share options	2,528	-	-	-	-	2,528
Total comprehensive profit for the period	-	-	-	-	27	27
As at 30 June 2018	101,513	179,888	10,815	-	10,985	303,201

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Quarter ended 30.06.2018	Quarter ended 30.06.2017 (Restated)
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before tax	27	(12,638)
Adjustment for:		
Non cash items	2,484	2,466
Operating profit before working capital changes	<u>2,511</u>	<u>(10,172)</u>
Net changes in current assets	(5,562)	7,158
Net changes in current liabilities	4,980	458
Income tax paid	(8)	(19)
Net cash generated from (used in) operating activities	<u>1,921</u>	<u>(2,575)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of plant and equipments	1,506	-
Purchase of plant and equipment	(4,963)	(11,222)
Net cash used in investing activities	<u>(3,457)</u>	<u>(11,222)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of hire purchase payables	(557)	(72)
Interest paid	(473)	(231)
Interest income	-	1
Proceeds from exercise of employee share options	2,528	1,130
Repayment of loan	(219)	(283)
Fixed deposits pledged with a licensed bank	(200)	-
Net cash generated from financing activities	<u>1,079</u>	<u>545</u>
Decrease in cash and cash equivalents	(457)	(13,252)
Cash and cash equivalents at beginning of period	(2,471)	26,151
Cash and cash equivalents at end of period	<u>(2,928)</u>	<u>12,899</u>
Cash and cash equivalents comprise:		
Cash and bank balances	3,131	20,376
Bank overdraft	(6,059)	(7,477)
	<u>(2,928)</u>	<u>12,899</u>

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

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 Malaysian Financial Reporting Standard ("MFRS") 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 2018. 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 2018.

2. Change in accounting policy

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2018, except for the adoptions of the following new Malaysian Financial Reporting Standards (MFRSs), Amendments to MFRSs and Interpretations,

Description	Effective for annual periods beginning on or after
MFRS 15 Revenue from contracts with customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance contracts	1 January 2021
Amendments to MFRSs :	
• MFRS 1 First-time adoption of Malaysian Financial Reporting Standards	1 January 2018
• MFRS 2 Classification and measurement of share-based payment transactions	1 January 2018
• MFRS 3 Business combinations	1 January 2019
• MFRS 9 Financial instruments	1 January 2018
• MFRS 9 Prepayment features with negative compensation	1 January 2019
• MFRS 11 Joint arrangements	1 January 2019
• MFRS 112 Income taxes	1 January 2019
• MFRS 123 Borrowing costs	1 January 2019
• MFRS 128 Investment in associates and joint ventures	1 January 2018
• MFRS 128 Long-term interest in associates and joint ventures	1 January 2019
• MFRS 140 Transfer of investment property	1 January 2018

The adoptions of above MFRSs, Amendments to MFRSs 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. The Group has elected to early adopt the MFRS Framework which originally effective for annual period beginning on or after 1 January 2018. The financial statements of the Group for the financial year ended 31 March 2018 are the first set of financial statements prepared in accordance with MFRS, including MFRS 1 – First Time Adoption of Malaysian Financial Reporting Standards and MFRS 141 – Agriculture. 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.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

2. Change in accounting policy (continued)

The adoption of amendments/improvements to existing standards has no significant impact to the financial statements of the Group in the period of initial application, except as described below :

MFRS 141 Agriculture

With the adoption of MFRS 141, the Group is required to recognise biological assets, which is measured at fair value less cost to sell ("FVLCTS"). Biological assets represent fish fry, broodstock (i.e. mother fish) and fishery livestock.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 March 2018 was not qualified.

4. 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.

5. 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.

6. Changes in Estimates

There were no changes in estimates of amounts that have a material effect in the current quarter results.

7. 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.

8. Dividend paid

No dividends were declared or paid during the quarter under review.

9. Segmental Reporting

	Cumulative period Ended 01.04.2018 - 30.06.2018		Cumulative period Ended 01.04.2017 - 30.06.2017	
	Revenue (RM'000)	Operating Profit / (Loss) Before tax (RM'000)	Revenue (RM'000)	Operating Profit / (Loss) Before tax (Restated) (RM'000)
Aquaculture Operations	3,222	1,555	11,781	(11,751)
Mining Operations	-	(1,364)	-	(716)
Quarry Operations	117	(164)	35	(171)

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 2018.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

13. Movement in Fair Value

	Individual quarter		Cummulative period	
	Current year Quarter 30.06.2018 RM'000	Preceding Year Corresponding Quarter (Restated) 30.06.2017 RM'000	Current Year to date 30.06.2018 RM'000	Preceding Year Corresponding period (Restated) 30.06.2017 RM'000
Opening balance fair value of fishery livestock	154,179	98,629	154,179	98,629
Increase due to purchases	5,310	5,357	5,310	5,357
Increase/(decrease) due to changes in FVLCTS	4,721	(5,573)	4,721	(5,573)
Increase due to biological transformation	3,637	5,464	3,637	5,464
Decrease due to transfers to frozen products	(215)	(85)	(215)	(85)
Decrease due to sales	(2,333)	(3,622)	(2,333)	(3,622)
Decrease due to mortalities	(3,813)	(9,316)	(3,813)	(9,316)
Net changes in fair value	7,307	(7,775)	7,307	(7,775)
Closing balance fair value of fishery livestock	161,486	90,854	161,486	90,854
Closing stock of fish fry and eggs			2,774	1,578
Less : Unrealised gain			(423)	(443)
Biological assets (Current)			163,837	91,989

Note : * Fair value less cost to sell (FVLCTS)

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

14. Profit Before Taxation

14.1 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 (Restated) (RM'000)		Current Year to date (RM'000)	Preceding Year Corresponding period (Restated) (RM'000)	
	30.06.2018	30.06.2017		30.06.2018	30.06.2017	
Revenue	3,222	11,781	-72.65%	3,222	11,781	-72.65%
Gross Profit / (Loss)	3,754	(7,949)	147.23%	3,754	(7,949)	147.23%
Profit / (Loss) Before Interest and Tax	500	(12,407)	104.03%	500	(12,407)	104.03%
Profit / (Loss) Before Tax	27	(12,638)	100.21%	27	(12,638)	100.21%
Profit / (Loss) after Tax	27	(12,638)	100.21%	27	(12,638)	100.21%
Profit / (Loss) Attributable to Ordinary Equity Holder of the parent	27	(12,638)	100.21%	27	(12,638)	100.21%

14.2 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter (RM'000)	Immediate Preceding Quarter (RM'000)	Changes (%)
	30.06.2018	31.03.2018	
Revenue	3,222	755	326.75%
Gross Profit	3,754	92,289	-95.93%
Profit Before Interest and Tax	500	80,528	-99.38%
Profit Before Tax	27	80,144	-99.97%
Profit after Tax	27	68,175	-99.97%
Profit Attributable to Ordinary Equity Holder of the parent	27	68,175	-99.97%

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(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

15. Review of Performance

The Group recorded a revenue and gross profit of RM3.222 million and RM3.754 million respectively for the current quarter from its Aquaculture operations, representing a decrease of 72.65% and substantial increase of 147.23% respectively as compared to the corresponding period in 2017.

The Group had in the current period also incurred pre-operational cost of RM2.708 million for its Mining operations comprising pre-operating cost of RM1.701 million and RM1.007 million for administration and finance cost which was charged out as administrative expenses. The gold mining operation has successfully commissioned its processing plant and yielded its maiden gold dore bar in the end of July 2018. The group had also incurred operation loss of RM 0.164 million from its quarry operation, which was mainly due to sales of quarry waste at lower price.

The substantial decrease in revenue as compared to the corresponding quarter in 2017 as mentioned above was due to decrease in sales of grouper fish in Hong Kong and southern China resulting from the delay in shipment hired from third party and the live fish vessel of the Group was under maintenance during the quarter.

The Group recorded a profit before taxation of RM27,000, mainly due to the movement in fair value of fishery stock, pursuant to the Group's adoption of MFRS Framework effective on 1 January 2018. With the adoption of MFRS 141, the Group is required to recognise biological assets, which is measured at fair value less cost to sell. Biological assets represent fish fry, broodstock (i.e. mother fish) and fishery livestock.

Revenue for Q1 increased to RM3.222 million as compared to RM0.755 million recorded in the fourth quarter ended 31 March 2018 ("Q4"), representing an increase of 326.75%. The increase was due to the temperature in Hong Kong and Southern China was back to normal temperature condition which is more suitable to live grouper fishes, where the Company's fishes were being sold.

The higher revenue recorded by the Group in Q1 as explained above, had resulted in the Group reporting a gross profit of RM3.754 million as compared to a gross profit of RM92.289 million in the immediate preceding quarter ended as at 31 March 2018, representing a substantial decrease of 95.93%.

The lower net profit of RM27,000 in Q1 as compared to a net profit of RM68.175 million in the immediate preceding quarter ended 31 March 2018 was mainly due to the movement in fair value of fishery stock, pursuant to the Group's adoption of MFRS Framework effective on 1 January 2018. With the adoption of MFRS 141, the Group is required to recognise biological assets, which is measured at fair value less cost to sell. Biological assets represent fish fry, broodstock (i.e. mother fish) and fishery livestock.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

16. Profit before taxation

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

	Current Quarter (RM'000)	Current year to date (RM'000)
Interest income	-	-
Other income including investment income	1,566	1,566
Interest expense	(473)	(473)
Depreciation and amortisation	(2,105)	(2,105)
Foreign exchange loss	(120)	(120)

17. Comments on Material Change in other income and expenses

	Individual Period		Changes (%)	Cumulative Period		Changes (%)
	Current year Quarter (RM'000)	Preceding Year Corresponding Quarter (Restated) (RM'000)		Current Year to date (RM'000)	Preceding Year Corresponding period (Restated) (RM'000)	
	30.06.2018	30.06.2017		30.06.2018	30.06.2017	
Other income	1,566	243	544.44%	1,566	243	544.44%
Other expenses	1,701	366	364.75%	1,701	366	364.75%
Distribution cost	1,444	2,245	-35.68%	1,444	2,245	-35.68%
Administrative expenses	1,675	2,090	-19.86%	1,675	2,090	-19.86%
Finance cost	473	231	104.76%	473	231	104.76%

During the quarter under review, other expenses of RM1.7 million are incurred for the operation cost for 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 and loan interest of RM0.312 million incurred during the current quarter pursuant to vehicle and heavy machineries purchased for the Mining operations.

18. 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.

19. Variance on Profit Forecast

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

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

20. Material Impairment of Assets

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

21. Trade Receivables

	Current (RM'000)	1 month (RM'000)	2 months (RM'000)	> 3 months (RM'000)	Total (RM'000)
Trade Receivable	2,231	163	687	32,618	35,699
Allowance for Impairment					(9,029)
Total					26,670

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are ranging from 30 to 270 days. They are recognised 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 RM8.178 million of trade receivables from its Hong Kong customers as well as local customers.

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

22. Other Receivables

Other Receivables consists of the following: -

	Other Receivable (RM'000)	Deposit (RM'000)	Prepayment (RM'000)	Total (RM'000)
TOTAL	4,387	1,469	1,044	6,900

Included in other receivables are cash advances of RM2.156 million paid 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 of RM1.229 million. Prepayment mainly consist of partial payment for purchase of equipment of processing plant and advance installments for Hire Purchase facilities amounting to RM0.209 million and RM0.296 million respectively.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

23. Loan and Borrowings

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

	As at 30.06.2018		
	Long term (RM'000)	Short term (RM'000)	Total Borrowings (RM'000)
Bank overdraft	-	6,059	6,059
Bank loan	-	6,025	6,025
Hire purchase	7,410	2,278	9,688
Total	7,410	14,362	21,772
	As at 30.06.2017		
	Long term (RM'000)	Short term (RM'000)	Total Borrowings (RM'000)
Bank overdraft	-	7,477	7,477
Bank loan	-	2,602	2,602
Hire purchase	2,855	868	3,723
Total	2,855	10,947	13,802

As compared to preceding year corresponding period up to 30 June 2017, there was a net increase in total borrowings of RM7.970 million with a new proceed of bank loan amounting to RM5 million from Kenaga Capital Sdn. Bhd.

However, the increase in hire purchase of RM5.965 million are for the acquisition of heavy machineries and equipment under hire purchase facilities for Wullersdorf Resources Sdn Bhd, to carrying out its mining operation at Bukit Mantri, Tawau, Sabah.

24. Company's Prospects

For FYE 2019, Borneo Aqua will continue to face economic challenges and uncertainties for its Aquaculture operations both domestically as well as globally due to the high competitions from China. 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.

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 2019. The Mining operation has successfully commissioning of the gold processing plant, the Company will commence its gold production commercially.

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

25. Corporate Proposals

Private Placement Proceeds

The Company had on 7 February 2017 and 8 February 2017 respectively announced the proposed private placement of new ordinary shares of up to 10% of the total number of issued shares of the company to independent third-party investors to be identified ("Proposed Private Placement"). Bursa Securities had vide its letter dated 3 March 2017 approved the listing of and quotation for up to 59,212,766 new ordinary shares in the Company ("Placement Shares") representing up to 10% of the issued and paid up share capital of the Company pursuant to the Proposed Private Placement, subject to the following conditions :

- The Company and RHB Investment Bank must fully comply with the relevant provisions under the ACE Market Listing Requirements pertaining to the implementation of the Proposed Private Placement;
- The Company and RHB Investment Bank to inform Bursa Securities upon the completion of the Proposed Private Placement;
- The Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities ' approval once the Proposed Private Placement is completed; and
- RHB Investment Bank to furnish Bursa Securities details of the placees as per Rule 6.16 of the Listing Requirements for the review of Bursa Securities prior to issuance/allotment of shares to placees.

The Company had on 21 March 2017 announced that the issue price of the Placement Shares to be issued pursuant to the Proposed Private Placement has been fixed at RM0.77 per Placement Share. On 29 March 2017, 46,869,600 Placement Shares were issued and placed to identified investors pursuant to the Proposed Private Placement.

Unutilisation of Private Placement Proceeds

The status of utilisation of proceeds as at 30 June 2018 is as follows:

	Time Frame for Utilisation (months)	Proceeds Raised (RM'000)	Amount Utilised (RM'000)	Amount Unutilised (RM'000)
Purchase of machineries and movable equipment	Within 12 months	6,136	4,844	1,292
Construction of new building	Within 12 months	3,750	1,698	2,052
Construction of Processing Plant	Within 18 months	9,380	9,000	380
Construction of road and other related infrastructure	Within 12 months	6,000	6,000	-
Working Capital	Within 12 months	9,874	9,874	-
Estimated Expenses *	Within 12 months	950	950	-
Total		36,090	32,366	3,724

BORNEO AQUA HARVEST BERHAD (649504-D)
(Incorporated in Malaysia)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2018

26. Material Litigation

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

27. Profit / (Loss) Per Share

Basic profit / (loss) 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.

	Individual Period		Cumulative Period	
	Current year Quarter	Preceding Year Corresponding Quarter (Restated)	Current Year to date	Preceding Year Corresponding period (Restated)
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Profit /(loss) for the period (RM'000)	27	(12,638)	27	(12,638)
Weighted average number of ordinary shares in issue ('000)	607,298	599,424	607,298	599,424
Basic profit / (loss) per share (sen)	0.004	(2.108)	0.004	(2.108)
Diluted profit / (loss) per share (sen)	0.004	(2.094)	0.004	(2.094)

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